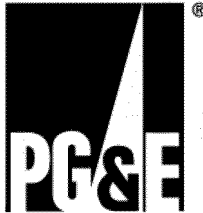


Rulemaking: 12-03-014
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Exhibit No.: _____
Date: October 14, 2013
Witness(es): Various

PACIFIC GAS AND ELECTRIC COMPANY

**2012 LONG-TERM PROCUREMENT PLAN TRACK 4 – LOCAL
RELIABILITY NEEDS WITHOUT SONGS**

REBUTTAL TESTIMONY



PACIFIC GAS AND ELECTRIC COMPANY
2012 LTPP TRACK 4
REBUTTAL TESTIMONY

PACIFIC GAS AND ELECTRIC COMPANY
2012 LTPP TRACK 4
REBUTTAL TESTIMONY

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1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **2012 LTPP TRACK 4**
3 **REBUTTAL TESTIMONY**

4 **A. Introduction and Summary (Curtis A. Hatton)**

5 Q 1 What is the purpose of your testimony?

6 A 1 The purpose of this rebuttal testimony is to respond to reply testimony
7 submitted by parties on September 30, 2013 regarding the analysis and
8 opening testimony submitted by the California Independent System
9 Operator Corporation (CAISO),¹ Southern California Edison Company
10 (SCE), and San Diego Gas & Electric Company (SDG&E)² in Track 4 of the
11 2012 Long-Term Procurement Plan (LTPP) proceeding.

12 Q 2 Please summarize your testimony.

13 A 2 Contrary to the recommendations of some parties in their reply testimony,
14 and at least partially consistent with the testimony of other parties, Pacific
15 Gas and Electric Company (PG&E) recommends that the California Public
16 Utilities Commission (CPUC or Commission) make a local resource need
17 determination for southern California and authorize SCE and SDG&E to
18 pursue a multi-prong approach to meet that identified local reliability need.
19 The Commission should move forward under the current schedule to make
20 a decision in early 2014. Specifically, as discussed in PG&E's reply
21 testimony, PG&E proposes that the Commission identify a total local
22 resource need determination for southern California of 5,070 megawatts
23 (MW) by 2022. This need determination is based on the need identified by
24 SCE of approximately 3,300 MW³ and the need identified by SDG&E of
25 1,770 MW,⁴ both prior to consideration of any procurement authorization
26 made in the recent 2012 LTPP Track 1 and SDG&E Purchased Power
27 Tolling Agreement decisions.⁵

1 CAISO Track 4 opening testimony of Robert Sparks submitted August 5, 2013.

2 SCE and SDG&E Track 4 opening testimony submitted August 26, 2013.

3 See Figure II-1 of SCE Track 4 opening testimony, page 8. This value is based on the
Los Angeles Basin Generation scenario (2,802 MW) and recommended additional 500 MW of
procurement authorization (see p. 7 of SCE Track 4 opening testimony).

4 See Table 3 of SDG&E Track 4 opening testimony of John M. Jontry, page 12.

5 Decision 13-02-015 and Decision 13-03-029, respectively.

1 PG&E recommends that the multi-prong approach include a
2 technology-neutral selection of preferred and non-preferred alternatives, and
3 a definitive timeline, with milestones, by which the selected alternatives
4 should be operationally available. The technology-neutral selection of
5 alternatives should follow selection criteria that consider the feasibility, cost,
6 benefits, and timing of the alternatives available to meet southern
7 California's local reliability needs.

8 **B. Time Is of the Essence (Curtis A. Hatton)**

9 Q 3 Do you agree with findings of the Sierra Club and the California
10 Environmental Justice Alliance (CEJA) that there is no need for new
11 generation as an outcome of Track 4 of this LTPP proceeding?⁶

12 A 3 No. Based on analysis submitted by the CAISO, SCE, and SDG&E, PG&E
13 believes that there is an incremental need for local reliability generation
14 given that San Onofre Nuclear Generating Station is no longer in operation.⁷
15 This need is over and above the procurement authorized by the Commission
16 in the recent 2012 LTPP Track 1 and SDG&E Purchased Power Tolling
17 Agreement decisions.⁸ The full need and the incremental procurement
18 authorization should be identified and authorized by the Commission in
19 Track 4 of this proceeding. The incremental local reliability need is likely to
20 be met by a combination of alternatives by using a least-cost, best-fit (LCBF)
21 approach and following the state's policy priorities.

22 Q 4 Do you agree with the Office of Ratepayer Advocates (ORA) and the Center
23 for Energy Efficiency and Renewable Technologies (CEERT) that the
24 Commission should wait until new transmission studies are completed by
25 the CAISO before making a need determination?⁹

26 A 4 No. The Commission should not delay making a need determination until
27 after the CAISO has completed its 2013/2014 Transmission Planning
28 Process studies. The Commission has sufficient information to make a

6 See page 1 of Track 4 reply testimony submitted by the Sierra Club which states that "[e]ven without considering the [CAISO's] 2013/2014 transmission studies, there is no need for new generation." Also see page 2 of Track 4 reply testimony submitted by CEJA.

7 See pages 2-1 through 2-3 of PG&E's reply testimony regarding a Track 4 need determination.

8 Decision 13-02-015 and Decision 13-03-029, respectively.

9 See page 18 of ORA's Track 4 reply testimony of Robert M. Fagan and pages II-3 and II-6 of Track 4 reply testimony of CEERT.

1 need determination in Track 4 at this time. Timing is critical to ensure that
2 there will be sufficient time for SCE and SDG&E to develop their respective
3 procurement plans and initiate their respective procurement processes so
4 that new generation can be built by 2018 and 2022, which are the time
5 periods under consideration in Track 4 of this proceeding. Suggestions for
6 further analysis and delay fail to recognize the immediate need in southern
7 California.

8 Q 5 Do you believe that the Commission can wait until the next LTPP cycle to
9 authorize additional procurement for local reliability in southern California?

10 A 5 No. The CAISO has identified incremental local resource needs in both
11 2018 and 2022 and SCE and SDG&E have both identified incremental local
12 generation needs in 2022.¹⁰ Given the time that it takes to build new
13 resources in California and the uncertainty associated with the alternatives
14 being considered to meet this need, the CPUC should provide procurement
15 authorization as soon as possible to ensure local reliability is maintained in
16 southern California.

17 Q 6 Do you agree with the Utility Reform Network (TURN) that the procurement
18 authorization requests by SCE and SDG&E should be approved by the
19 Commission, but only as a first step in the process?¹¹

20 A 6 Generally, PG&E agrees with TURN that SCE and SDG&E's authorization
21 requests are a reasonable starting point for procurement under Track 4.
22 However, given the uncertainty over whether specific preferred resources or
23 transmission alternatives will materialize, it is important that the Commission
24 identify the full need and authorize procurement at a level that meets the
25 identified need at this time. Opportunities can be provided to later reduce
26 the amount of ultimate procurement once alternatives have proven feasible
27 and effective at reducing local capacity requirements by the identified
28 amount.

¹⁰ SCE and SDG&E did not evaluate 2018 needs in their 2012 LTPP Track 4 studies.

¹¹ See pages 3 and 9 of TURN's Track 4 reply testimony.

1 **C. A Multi-Prong Approach Is Necessary (Curtis A. Hatton)**

2 Q 7 TURN says there is no “silver bullet” solution to meeting southern
3 California’s local reliability needs.¹² Do you agree with TURN?

4 A 7 Yes. PG&E agrees with TURN that there is no single best alternative to
5 meet southern California local reliability needs due to differences in cost,
6 feasibility, risks, uncertainties, and timing of the various alternatives under
7 consideration.

8 Q 8 What does PG&E propose as a plan of action for meeting southern
9 California local reliability needs?

10 A 8 PG&E proposes that the Commission adopt the following plan of action.

11 First, PG&E proposes that the Commission identify a total local resource
12 need determination for southern California of 5,070 MW by 2022. This need
13 determination is based on the need identified by SCE of approximately
14 3,300 MW¹³ and the need identified by SDG&E of 1,770 MW,¹⁴ both prior to
15 consideration of any procurement authorization made in the recent 2012
16 LTPP Track 1 and SDG&E Purchased Power Tolling Agreement decisions.

17 Second, PG&E proposes the Commission authorize SCE and SDG&E
18 to implement a multi-prong approach to meet their local area reliability
19 needs. This multi-prong approach should consider all alternatives offered by
20 SCE and SDG&E by evaluating the tradeoffs, or positive and negative
21 attributes, associated with each alternative.

22 Finally, PG&E proposes that the Commission adopt a process with a
23 definitive timeline and criteria for SCE and SDG&E to select the LCBF
24 alternatives to meet their respective local reliability needs.

25 Q 9 Why do you believe that a total local resource need determination for
26 southern California is necessary at this time?

27 A 9 A total local resource need determination for southern California is needed
28 at this time to establish a clear target of the amount of local reliability need
29 and the date by which the need should be satisfied. The need determination

12 See pages 2 and 4 of TURN’s Track 4 reply testimony.

13 See Figure II-1 of SCE Track 4 opening testimony, page 8. This value is based on the Los Angeles Basin Generation scenario (2,802 MW) and recommended additional 500 MW of procurement authorization (see p. 7 of SCE Track 4 opening testimony).

14 See Table 3 of SDG&E Track 4 opening testimony of John M. Jontry, page 12.

1 serves as a baseline for making procurement authorization decisions. Given
2 the inherent uncertainty with many of the alternatives being proposed (such
3 as feasibility and effectiveness at reducing local capacity requirements), it is
4 critical to identify a need by which the various solutions, once online and
5 proven to be effective at meeting that need, can be reduced.

6 Making a procurement authorization decision in Track 4 of this
7 proceeding is essential to provide the utilities with authority to procure the
8 needed local resources within the time period in which need has been
9 identified. Given the short timeframe in which these resources must come
10 online, PG&E recommends authorizing the full amount of resources needed
11 to meet reliability with opportunities for further review in the future as needed
12 to make changes in the composition of the procurement authorization.

13 Q 10 How does PG&E's proposed 5,070 MW local resource need for southern
14 California compare to the local reliability need identified in other parties'
15 reply testimony?¹⁵

16 A 10 PG&E based its recommendation on SCE's and SDG&E's testimony.
17 In contrast to other parties who may have looked at incremental need only,
18 PG&E chose to look at the total need, but recognizes that a portion of this
19 need will be met with procurement that has already been authorized in
20 Track 1 of this proceeding.

21 Q 11 Why do you propose a multi-prong approach?

22 A 11 A multi-prong approach is necessary because, as TURN demonstrates,
23 there is no single alternative that the Commission can order SCE and
24 SDG&E to pursue in this proceeding to provide the LCBF solution to
25 southern California local reliability needs. Each alternative has both positive
26 and negative attributes that must be considered by the Commission in this
27 proceeding.¹⁶

28 Q 12 How should the multi-prong approach be implemented?

29 A 12 In order to implement a multi-prong approach, the Commission first needs to
30 adopt a total local reliability need amount and a time by which the need must

¹⁵ See pages 2-4 of AES Southland's Track 4 reply testimony of Hala N. Ballouz; pages 47-48 and 54-55 of Independent Energy Producers Association's Track 4 reply testimony; pages 3 and 9 of TURN's Track 4 reply testimony; and pages 3-4 of WPTF's Track 4 reply testimony.

¹⁶ See pages 4-10 of TURN's Track 4 reply testimony.

1 be satisfied with operationally-feasible resources and/or transmission
2 alternatives as noted above. Milestones should be set to ensure resources
3 will be online in time to meet the identified need. A regular review process
4 could be established to ensure southern California utilities are on track to
5 meet the identified needs within the timeframe they are needed.

6 **D. The Cost Allocation Mechanism Should Be Applied to Resources Procured**
7 **as a Result of Track 4 of the 2012 LTPP Proceeding (Rick Martyn)**

8 Q 13 Do you agree with recommendations by the Alliance for Retail Energy
9 Markets (AReM), Direct Access Customer Coalition (DACC), and Western
10 Power Trading Forum (WPTF) that the Cost Allocation Mechanism (CAM)
11 not be applied to procurement authorized in Track 4 of this proceeding?¹⁷

12 A 13 No. AReM, DACC, and WPTF confuse the issue at hand, which is
13 long-term local capacity needs, with unrelated discussions of bundled
14 procurement and short-term resource adequacy (RA). Bundled
15 procurement plans are properly addressed in Track 3 of this LTPP
16 proceeding. Track 4 of this proceeding is concerned with identifying long-
17 term local capacity needs in southern California.

18 AReM/DACC argue that since their customers' short-term RA
19 obligations are being met they do not benefit from the long-term local
20 capacity procured pursuant to this Track 4.¹⁸ Signing contracts with existing
21 facilities for RA in 2014 or 2015 does not create additional local capacity in
22 southern California in 2018 or 2022. Meeting long-term local capacity needs
23 is required to ensure reliability in the SCE and SDG&E service territories in
24 the future, and signing short-term RA contracts will not meet those needs.

25 Fairly allocating the costs of generation resources that meet a local
26 reliability need is precisely what the CAM is for. Public Utilities Code
27 Section 365.1(c)(2)(A) clearly states that Direct Access (DA) and Community
28 Choice Aggregation (CCA) customers should share such local reliability
29 costs. It states that the Commission shall:

30 Ensure that, in the event that the commission authorizes, in the situation
31 of a contract with a third party, or orders, in the situation of utility-owned

17 See pages 8-15 of AReM/DACC's joint Track 4 reply testimony and page 13 of WPTF's Track 4 reply testimony.

18 See page 7 of AReM/DACC's joint Track 4 reply testimony.

1 generation, an electrical corporation to obtain generation resources that
2 the commission determines are needed to meet system or local area
3 reliability needs for the benefit of all customers in the electrical
4 corporation's distribution service territory, the net capacity costs of those
5 generation resources are allocated on a fully nonbypassable basis
6 consistent with departing load provisions as determined by the
7 commission, to all of the following:

- 8 (i) Bundled service customers of the electrical corporation.
9 (ii) Customers that purchase electricity through a direct transaction with
10 other providers.
11 (iii) Customers of community choice aggregators.

12 The CAM fairly allocates net capacity costs to all customers and is the
13 appropriate way to prevent cost shifting or subsidization of costs that
14 maintain reliability. AReM/DACC's arguments to avoid any cost
15 responsibility for maintaining reliability are simply attempts to unfairly lower
16 the costs for DA and CCA customers at the expense of SCE's and SDG&E's
17 bundled customers and should be rejected.

18 Q 14 Does this conclude your testimony?

19 A 14 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
APPENDIX A
STATEMENT OF QUALIFICATIONS

1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **STATEMENT OF QUALIFICATIONS OF RICK MARTYN**

3 Q 1 Please state your name and business address.

4 A 1 My name is Rick Martyn, and my business address is Pacific Gas and
5 Electric Company, 245 Market Street, San Francisco, California.

6 Q 2 Briefly describe your responsibilities at Pacific Gas and Electric Company
7 (PG&E).

8 A 2 I am a principal in Long Term Energy Policy within the Energy Policy,
9 Planning and Analysis Department of PG&E's Energy Procurement
10 organization.

11 Q 3 Please summarize your educational and professional background.

12 A 3 I have a bachelor of arts degree in economics from the University of
13 California at Santa Cruz.

14 I joined PG&E in 1992 and have held positions of increasing
15 responsibility in the Regulatory and Energy Procurement organizations. I
16 assumed my current position in August 2011.

17 Q 4 What is the purpose of your testimony?

18 A 4 I am sponsoring Question/Answer 13 of PG&E's rebuttal testimony in
19 Track 4 of the 2012 Long-Term Procurement Plan proceeding.

20 Q 5 Does this conclude your statement of qualifications?

21 A 5 Yes, it does.