

Application No: R.12-03-014
Exhibit No: _____
Witness: Robert B. Anderson

**PREPARED TRACK 4 REBUTTAL TESTIMONY OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)**



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

October 14, 2013

TABLE OF CONTENTS

I.	PURPOSE.....	1
II.	AVAILABILITY OF ENERGY STORAGE RESOURCES TO MEET LCR NEED	1
III.	COST ALLOCATION.....	3
IV.	CONTINGENCY LICENSING.....	5

**PREPARED REBUTTAL TESTIMONY
OF ROBERT B. ANDERSON**

I. PURPOSE

My testimony will respond to several issues raised by other parties in this proceeding including: (1) the availability of energy storage as a resource for meeting local capacity requirement (LCR) need in the San Diego Gas & Electric Company (SDG&E) load pocket; (2) recovery of costs for resources authorized in Track 4 through the cost allocation mechanism (CAM) established pursuant to Public Utilities Code § 365.1(c)(2)(A); and (3) a potential future application by SDG&E for approval of an energy park that would be made available to independent generators in future Requests for Offers (RFOs) to meet local resource needs in Southern California.

II. AVAILABILITY OF ENERGY STORAGE RESOURCES TO MEET LCR NEED

A number of parties submitted testimony addressing the Commission's recent proposed decision (PD) in the Energy Storage (ES) proceeding, Rulemaking (R.) 10-12-007.¹ The PD proposes adoption of an Energy Storage Framework and Design Program and establishes ES procurement targets. Parties note these proposed targets for storage and suggest that ES procurement to meet these targets might assist in meeting LCR need.

SDG&E believes that some amount of ES – the right kind of ES at the right locations – may play a role in meeting some of SDG&E's identified LCR need. SDG&E does not expect, however, that ES procurement to meet the PD's targets will translate directly into procurement capable of meeting LCR need on a megawatt-for-megawatt basis.

¹ See, e.g. Sierra Club California (SCC)/Powers, p. 24; Division of Ratepayer Advocates (DRA)/Ciupagea, p. 8; Center for Energy Efficiency and Renewable Technologies (CEERT)/Caldwell, p. II-3; California Environmental Justice Alliance (CEJA)/May, p. 26.

1 First, the PD does not require that the ES be located in the local capacity area. The PD
2 correctly concludes that the utility should have the flexibility to employ the most cost-effective
3 storage applications within defined parameters related to distribution of ES across transmission,
4 distribution and customer-side interconnected applications. This approach will help to ensure
5 that ES is deployed in a manner that provides the most value. Thus, in determining the most
6 cost-effective deployments, SDG&E will be able to recognize the value of ES that is located
7 within the load pocket, but it will not necessarily be the case that only storage located in the load
8 pocket will be found to be cost-effective. Thus, it cannot be assumed that all ES will be located
9 within the load pocket and capable of meeting LCR need.

10 In addition, there are many remaining issues related to ES procurement that require
11 resolution. For example, the PD does not specify the duration of each storage application.
12 Likewise, the California Independent System Operator (CAISO) has yet to define what
13 characteristics ES will need to meet in order to be fully counted towards local resource adequacy
14 (RA). While it is possible that a single storage application that does not meet the full duration
15 requirement could be combined with other storage applications to meet the requirements, this
16 issue has yet to be finally resolved.²

17 Finally, it is important to note that 30 MW of the ES procurement target proposed for
18 SDG&E is for customer applications. It is unclear how customers will use their ES and how it
19 might be made available, if at all, to meet LCR need. SDG&E anticipates that to the extent this
20 ES does become available to meet local need, it may be through customers' participation in
21 demand response (DR) programs. In other words, ES will be the technological investment

² For example, installation of four 1 MW storage units, each with 1 hour of energy storage, may meet 4 MW of the PD's storage target. However, if the CAISO requires 4 hours of dispatch for meeting local requirements, then these four 1 MW storage units must operate sequentially and therefore would meet only 1 MW of local capacity (this assumes that the CASIO permits bundling of storage at different locations).

1 required to increase DR. Thus, counting on growth in DR to meet LCR need while separately
2 counting on customer-side ES to meet LCR need may very well be double-counting the same
3 storage capacity.

4 In summary, the storage PD targets do not reduce local need, but instead may provide
5 some of the capacity required to meet the identified local need. However, assuming that ES
6 procurement that satisfies the proposed targets will meet the identified LCR need on a megawatt-
7 for-megawatt basis is likely overestimating its contribution.

8 Given the rather prescriptive method, application, and timing that the Commission is
9 proposing in the storage PD, it now appears to be preferable for all storage to be procured in the
10 context of the storage OII rules and RFOs. Although SDG&E initially envisioned including ES
11 in its proposed RFO for 500-550 MW of supply-side resources,³ SDG&E now recommends that
12 all ES be procured via the Storage OII process and local need reduced only to the extent ES is
13 shown to meet local need.

14 **III. COST ALLOCATION**

15 In testimony submitted on behalf of the Alliance of Retail Energy Markets and Direct
16 Access Customer Coalition (AReM/DACC), witness Michael Rochman⁴ argues that the cost of
17 resources the Commission authorizes in this Track 4 in order to maintain reliability in the load
18 pocket should be recovered solely from bundled customers.⁵ The argument AReM/DACC
19 makes is that since generation from SONGS was used to meet a portion of bundled customer's

³ SDG&E/Anderson, p. 5.

⁴ On October 10, 2013, Mr. Rochman adopted the testimony of Greg Bass submitted on behalf of AReM/DACC on September 30, 2013.

⁵ AReM/DACC/Rochman, p. 2; *see also* Western Power Trading Forum (WPTF)/Ackerman, p. 13.

1 energy and capacity needs, bundled customers must bear the cost of replacing SONGS with new
2 resource(s). The Commission should reject this argument.

3 Mr. Rochman's testimony is imprecise in its use of terms and related concepts; he
4 confuses and conflates the utilities' obligations to its customers as a load-serving entity (LSE)
5 with its obligations as a regulated utility in order to imply an obligation that does not exist.
6 Plainly, each utility's obligation as a LSE and their obligation as a regulated utility are not one in
7 the same. SDG&E, as the LSE for its bundled customers, must replace the energy and capacity
8 that it previously received from SONGS. However, SDG&E is free to procure that capacity and
9 energy from any resource that meets its needs, including existing resources. It would not be
10 unusual for an LSE to contract with one resource to meet a portion of its energy and capacity
11 needs for one year and then contract with a different resource the following year. In other words,
12 there is no ongoing obligation to procure from a particular resource after a power purchase
13 agreement (PPA) has expired. Likewise, if a resource that previously sold its capacity and
14 energy to a party (or group of parties) ceases operation, the part(ies) that previous contracted
15 with that resource have no direct obligation to ensure that a new resource is built in its place.
16 Thus, in its role as the LSE for its bundled customers, SDG&E has no obligation to ensure that
17 new resources are built to replace SONGS.

18 If, however, the Commission authorizes SDG&E and/or Southern California Edison
19 Company (SCE) as regulated utilities to procure new capacity in order to meet the long-term grid
20 reliability needs identified in this Track 4 proceeding, it is ordering the regulated utility to ensure
21 that new resources are built for the benefit of all customers. Public Utilities Code §
22 365.1(c)(2)(A) requires the Commission to allocate to all benefiting customers the net capacity
23 costs of "generation resources that the commission determines are needed to meet system or

1 local area reliability needs for the benefit of all customers in the electrical corporation's
2 distribution service area.” The studies undertaken by the CAISO and SDG&E/SCE were
3 intended to determine the quantity of new resources required to meet the reliability needs of all
4 customers – bundled and direct access. Failure to add new resources to meet this need will result
5 in decreased system reliability for all customers in the load pocket. Thus, because all customers
6 will benefit from new resource additions authorized in this proceeding, the Commission should
7 find such resource additions eligible for CAM treatment.

8 Although Mr. Rochman claims that such treatment would be unfair (pp. 14-15), the exact
9 opposite is true. It is the failure to CAM the new resources required to meet reliability needs that
10 would create the unfairness. Requiring bundled customers, and only bundled customers, to pay
11 for new resources necessary to meet the reliability needs of all customers would be inequitable
12 and contrary to the Commission's statutory obligation under § 365.1(c)(2)(A). By subjecting
13 these new resources to the CAM, both bundled and non-bundled customers receive an equal
14 share of the RA value and each group pays the same net capacity costs.

15 **IV. CONTINGENCY LICENSING**

16 In my opening testimony, I noted that SDG&E is exploring the feasibility of developing
17 an energy park that would be made available to independent generators in future RFOs to meet
18 local resource needs. Division of Ratepayer Advocates (DRA) witness, Nika Rogers, expresses
19 openness to the concept, but in his testimony submitted on behalf of the Independent Energy
20 Producers Association (IEP), witness William Monson recommends that the Commission reject
21 SDG&E's energy park proposal.⁶ Mr. Monson's suggestion is clearly premature. My opening
22 testimony explained that to the extent SDG&E elects to pursue this energy park proposal, it will

⁶ DRA/Rogers, pp. 4-9; IEP/Monson, p. 39.

1 file a separate application with the Commission seeking approval to move forward with such a
2 plan. Since no specific proposal is being offered in this proceeding and SDG&E is not seeking
3 approval at this time for the energy park proposal, the Commission should not make a ruling in
4 this case regarding the energy park concept. Rather, it should consider the specifics of any such
5 proposal in the context of the application seeking approval.

6 This concludes my rebuttal testimony.