

Application No.: 11-05-023

Exhibit No.: _____

Witness: Juancho Eekhout

Application of San Diego Gas & Electric Company
(U 902 E) for Authority to Enter into Purchase Power Tolling
Agreements with Escondido Energy Center, Pio Pico Energy
Center and Quail Brush Power.

A.11-05-023
(Filed May 19, 2011)

PREPARED SUPPLEMENTAL TESTIMONY OF
JUANCHO EEKHOUT
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY

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

April 27, 2012

1 **Q3: Please summarize your testimony.**

2 **A3:** SDG&E originally sought the Commission’s approval (“CPUC Approval”) in this case
3 by February 9, 2012; now, the three PPTAs specify that a final, nonappealable Order must be in
4 hand no later than January 31, 2013, which means that the Order must be dated no later than
5 January 1, 2013. For all practical purposes, this requirement means that the final Order
6 reflecting CPUC Approval must be issued no later than the Commission’s December 2012
7 Business Meeting. In light of the new approval timeline for a final, nonappealable order in this
8 proceeding, SDG&E has executed amendments to all three of the PPTAs to accommodate the
9 new regulatory approval timetable. Specifically, the amendments (1) extend the deadline for the
10 satisfaction of certain Conditions Precedent that would otherwise come due prior to the new
11 anticipated date for a Commission decision in this proceeding (as outlined in the March 29, 2012
12 Ruling by ALJ Yacknin); and (2) provide for the extension of certain project development
13 milestones in the event that prior milestones are not timely met. My testimony also updates the
14 Commission on further information obtained related to ratepayer-funded transmission upgrade
15 costs for Pio Pico and Quail Brush, which now are known and lower than the ratepayer-funded
16 cost thresholds established previously. This new information was obtained via the issuance of
17 Phase 2 Study results by the California Independent System Operator Corporation (CAISO).

18
19 **Q4: How will extending the deadline for Commission approval and allowing for**
20 **extension of the online dates for the projects impact the projects’ development?**

21 **A4:** In the current market, these projects are not deemed commercially viable until
22 Commission approval is obtained. In particular, projects are not likely to obtain financing and
23 developers will not commit to large capital expenditures until they secure the Commission’s

1 approval. SDG&E has extended the CPUC Approval Condition Precedent dates to maintain the
2 likelihood of viability of these projects in light of the recently extended regulatory approval
3 timetable. In this context, it is important the Commission issue a Proposed Decision consistent
4 with the timeframe set forth in the March 29, 2012 ALJ Ruling. In fact, SDG&E is hopeful that
5 a Proposed Decision will be issued in early October 2012. Further delays may jeopardize the
6 viability of these projects altogether. Providing day-for-day extensions to online dates for the
7 Pio Pico and Quail Brush projects protects the viability of these projects, in case CPUC Approval
8 is reached after October 29, 2012.

9
10 **Q5: Please tell us about the timing and scope of the amendment to the Escondido PPTA.**

11 **A5:** The amendment for Escondido was executed on April 26, 2012. The Escondido PPTA
12 was amended to extend the “CPUC Approval Condition Precedent” date from June 1, 2012 to
13 January 31, 2013. Also, the dates contained in the Milestone Schedule were modified to be
14 consistent with the expected project development timetable considering the new expected CPUC
15 Approval date.

16
17 **Q6: Why has the Expected Initial Delivery Date for Escondido shifted from July 1, 2012**
18 **as contained in the original PPTA?**

19 **A6:** Since the revised schedule issued on March 29, 2012 does not contemplate a Commission
20 decision until sometime in late 2012, the day-for-day extension allowed under the PPTA will
21 have the effect of delaying the online date from July 1, 2011. Assuming that the Commission
22 issues a final Order in December 2012, the Escondido online date will be in January 2014.

1 **Q7: Please tell us about the timing and scope of the amendment to the Quail Brush**
2 **PPTA.**

3 **A7:** The amendment for Quail Brush was executed on April 24, 2012. The Quail Brush
4 PPTA was amended to extend the CPUC Approval Condition Precedent date from October 29,
5 2012 – 18 months after execution – to January 31, 2013. In addition, the PPTA now incorporates
6 a day-for-day extension for the Guaranteed Initial Delivery Date and the project milestones if
7 CPUC Approval occurs after October 29, 2012.

8
9 **Q8: How did the Quail Brush interconnection costs and interconnection plan change?**

10 **A8:** Quail Brush’s original CAISO Phase 2 study results were issued on August 24, 2011.
11 This study, which was subsequently replaced by a revised Phase 2 study, showed network
12 upgrades costing much more than the limit in the PPTA, and that the project would not be fully
13 deliverable for a period of approximately three years while transmission upgrades were being
14 constructed. However, on February 14, 2012, the CAISO issued a Revised Addendum to the
15 Cluster 1 & 2 Phase 2 Final Report for Quail Brush that eliminated a major portion of the
16 upgrades and indicated that the project would be fully deliverable on the Initial Delivery Date.
17 Additionally, the CAISO approved Quail Brush’s request to move the project’s point of
18 interconnection, which further lowered network upgrades costs. After these changes, the Quail
19 Brush project’s ratepayer funded costs for network upgrades are now approximately \$29.5
20 million below the maximum allowable costs in the PPTA, which positively impacts both the
21 economics and the viability of this project.

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1 **Q9: Please describe the amendments to the Pio Pico PPTA.**

2 **A9:** The first amendment for Pio Pico was executed on March 20, 2012. The first amendment
3 extended the Condition Precedent deadline date for SDG&E's approval of the electrical
4 interconnection in-service date and costs from March 1, 2012 to June 1, 2012. The second
5 amendment for Pio Pico was executed on April 20, 2012. The second amendment extended the
6 Condition Precedent deadline date for SDG&E's approval of the gas interconnection in-service
7 date and costs from March 31, 2012 to August 31, 2012. The second amendment also extended
8 the Condition Precedent deadline date for CPUC Approval from August 2, 2012 – 18 months
9 after execution – to January 31, 2013. In addition, the PPTA now incorporates a day-for-day
10 extension for the Guaranteed Initial Delivery Date and the project milestones if CPUC Approval
11 is delayed past October 29, 2012.

12
13 **Q10: How did the Pio Pico interconnection costs and interconnection plan change?**

14 **A10:** Pio Pico's original CAISO Phase 2 study report was issued on August 24, 2011, and
15 showed network upgrade costs in excess of the limit in the PPTA, and that the project would not
16 be fully deliverable for a period of approximately three years while transmission upgrades were
17 being constructed. On February 10, 2012, the CAISO issued an Addendum to the Cluster 1 & 2
18 Phase 2 Final Report for Pio Pico that eliminated a major portion of the upgrades and gave the
19 project full deliverability on the Initial Delivery Date. Because of this change, the Pio Pico
20 project's ratepayer funded costs for network upgrades are approximately \$84 million below the
21 maximum allowable costs in the PPTA. As with Quail Brush, this change positively impacts
22 both the economics and the viability of this project.

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1 **Q11: Is there anything else you wish to state?**

2 **A11:** It is worth emphasizing that SDG&E has amended the three PPTAs that are the subject of
3 this Application to accommodate the extended regulatory schedule issued by the Commission.

4 That extended schedule is adding additional pressure on the projects and threatens their viability.

5 SDG&E respectfully requests that the Commission issue a Proposed Decision consistent with the
6 timeframe set forth in the March 29, 2012 ALJ Ruling.

7 This concludes my testimony.

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1 **QUALIFICATIONS**

2 My name is Juancho Eekhout. My business address is 8315 Century Park Court, San
3 Diego, CA 92123. I have been employed by San Diego Gas & Electric Company (SDG&E)
4 since February 2011 as the Director of Procurement and Portfolio Design in the Electric and Gas
5 Procurement Department. In my current role, I lead the team that creates strategic plans for the
6 procurement of renewable energy and conventional resources beyond one year.

7 Prior to this role, I was a Director with the Mergers & Acquisitions (M&A) team of
8 Sempra Energy. Before joining Sempra, I worked for BP in a series of commercially-focused
9 international appointments, including in Strategy Development, Marketing, Trading
10 Management, Strategic Planning, Performance Management, and Business Development. Prior
11 to BP, I worked for ING Barings both in the Money Markets Trading and the Investment
12 Banking divisions.

13 I received a BA in Economics from the Catholic University in Caracas, Venezuela and a
14 Master in Public Policy from the University of Chicago.

15 I previously testified before the Commission in the Long Term Procurement Proceeding,
16 A.10-05-006.