

Application No.: 11-05-023

Exhibit No.: _____

Witness: Robert Anderson

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 REBUTTAL TESTIMONY OF
ROBERT ANDERSON
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

June 6, 2012

1 **PREPARED SUPPLEMENTAL REBUTTAL TESTIMONY OF**
2 **ROBERT ANDERSON**
3 **ON BEHALF OF**
4 **SAN DIEGO GAS & ELECTRIC COMPANY**
5

6 **Q1: What is the purpose of your testimony?**

7 **A1:** This rebuttal testimony responds to the reply testimony submitted on May 18, 2012 of the
8 Commission’s Division of Ratepayer Advocates (DRA), the California Environmental Justice
9 Alliance (CEJA), and NRG Energy, Inc. (NRG). My testimony covers two major areas. First, I
10 will address a number of the inaccurate statements, unsupported assumptions, and
11 unsubstantiated positions made by the parties regarding their analyses related to the need for the
12 Purchase Power Tolling Agreements (PPTAs) proposed in the subject Application. Second, I
13 will respond to some of the assumptions presented by DRA witness Ghazzagh in Table FG-1,
14 DRA witness Fagan in Table RF-3 and CEJA witness Firooz at Table 1 that are, with all due
15 respect, unwarranted or infeasible and therefore do not support their general position that
16 SDG&E does not need the applied-for 450 MW of new capacity *at all*.¹ This testimony takes
17 issue with that general position as well as many aspects of these intervenors’ analyses that are
18 used in support of that position.

19 At the outset, I note that my testimony addresses SDG&E’s Local Capacity Requirement
20 (LCR), or “need” for the proposed, new resources. SDG&E’s witness Strack is separately
21 presenting rebuttal testimony that addresses various transmission-planning-related and

¹ DRA notes that a “possible exception” to this position is the Wellhead contract which has a net gain of 10 MW. Supplemental Testimony of Farzad Ghazzagh on Behalf of DRA (“Ghazzagh Testimony”) at 1.

1 “deliverability” issues, including those issues included in this proceeding due to the January 18,
2 2012 Assigned Commissioners’ Ruling that included in the scope of this case the California
3 Independent System Operator (CAISO) studies that relate to the subject proceeding.² Also
4 SDG&E witness Besa is separately addressing the intervenors’ testimonies related to
5 uncommitted energy efficiency, including the written testimony of the National Resources
6 Defense Council (NRDC), and demand response assumptions.

7 Lastly, the CPUC has historically viewed the long-term procurement plan proceedings
8 where need is usually determined as an “umbrella proceeding” incorporating the latest results of
9 other procurement-related dockets. The issues not subject to further litigation include the
10 program-level details such energy efficiency, demand response, and many others.³ SDG&E’s
11 showing follows this same direction. The scoping memos for this case specifically do not call
12 for a detailed review and evaluation of energy efficiency, demand response and other areas.
13 Moreover, it is not reasonable and workable to view this proceeding as a detailed assessment of
14 every conceivable resource that SDG&E does or could deploy during some point in a 10-year
15 planning horizon. Instead, this proceeding incorporates the best, most recent aggregate data and
16 information on the main areas identified in the scoping memos in assessing the San Diego area’s
17 “need” over the planning horizon using the same sources typically used in long-term
18 procurement planning proceedings.

19
20 **Q2: After reviewing the testimony of the other parties, does SDG&E still believe it needs**
21 **the 3 PPTAs to maintain reliability in the San Diego Local area?**

² January 18, 2012 Joint Assigned Commissioner’s Ruling (“Ruling”) at 3-4.

³ OIR R.12-03-014, issued on March 22, 2012, which opened the 2012 LTPP process included Table 1 on page 11 and 12 that listed all the procurement-related dockets that will not be in scope for the 2012 long term procurement plan proceeding.

1 **A2:** Yes. SDG&E’s analyses, as well as the CAISO’s analyses, clearly demonstrate that the
2 San Diego area needs all of these new, local generation resources. As is explained more fully
3 below, some of the intervenors used out-of-date or incorrect assumptions to support a zero-need
4 outcome. The intervenors’ testimonies have provided no data, analyses or other
5 recommendations that have caused SDG&E to reconsider or change SDG&E’s analysis or its
6 requested approval of the 3 PPTAs.

7 My Table 1 appearing in my April 27, 2012 prepared supplemental testimony reflects my
8 current and best numerical assessment of the San Diego area’s LCR over the specified planning
9 horizon.⁴

10 SDG&E has proposed the 3 PPTAs for approval because doing so is in the best, long-
11 term interests of San Diego area electric consumers to obtain reliable, clean, generation that will
12 serve the local reliability needs for decades to come and will support the integration of renewable
13 generation. SDG&E has formed this recommendation based on careful analysis, the most
14 current data, and realistic assumptions about local resources that can be counted on over the
15 planning horizon. The intervening parties instead want to risk the reliability of the local electric
16 system on assumed resource additions, such as ambitious, future energy efficiency (EE) and
17 demand response (DR) assumptions, that are not established to be feasible and therefore may not
18 materialize. While SDG&E supports the use of cost-effective, feasible demand-side resources,
19 the long-term resource needs of the San Diego area require additional new, local generation.
20 Planning for the reliability of the local electric system necessitates a reasonable level of
21 assurance or certainty that the resources planned for will indeed be present and available to be
22 deployed. Neither can the area’s resource adequacy be responsibly provided for by the

⁴ Prepared Supplemental Testimony of Robert Anderson, April 27, 2012 (“Anderson Testimony”) at RA-5.

1 continued reliance on aging, local power plants that use once-through-cooling (OTC) and are
2 substantially less efficient than the plants proposed in SDG&E's Application.

3
4 **Q3: Does SDG&E support DRA's position that the issues of this case can be "deferred"**
5 **to the 2012 LTPP proceeding?**

6 **A3:** No. DRA witness Spencer suggests that the need for these units should be deferred and
7 moved into the 2012 LTPP process.⁵ However, it is quite clear that the Commission has decided
8 to resolve the issues now, in this proceeding. First, the January 18, 2012 Joint Assigned
9 Commissioners' Ruling and the March 12, 2012 Assigned Commissioner's Amended Scoping
10 Memo and Ruling specifically included SDG&E's LCR for the planning horizon 2011 to 2020 in
11 this proceeding.⁶ If these several "we will not defer this case" pronouncements were not
12 sufficiently clear, the Scoping Memo and Ruling of Assigned Commissioner and Administrative
13 Law Judge, issued May 17, 2012, in the 2012 LTPP proceeding (R.12-03-014) specifically states
14 that "[i]ssues related to infrastructure needs for the San Diego local area are being considered in
15 Application 11-05-023 and will not be in the scope of this proceeding, except to the extent that
16 any decisions in that proceeding inform the record."⁷ Thus, the Commission has, on several
17 recent occasions, emphasized that SDG&E's LCR and the PPTAs cannot be deferred. DRA
18 should not clutter this case any further with procedural issues that have clearly been resolved.

⁵ Supplemental Testimony of Peter Spencer on Behalf of DRA ("Spencer Testimony") at 1; Ghazzagh Testimony at 2.

⁶ Ruling at 3-4; March 12, 2012 Assigned Commissioner's Amended Scoping Memo and Ruling ("Amended Ruling") at page 3. Further, DRA initiated discussion on this same "deferral" issue at the telephonic procedural conference on April 4, 2012.

⁷ May 17, 2012 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge in R.12-03-014 at 4, fn. 4.

1 **Q4: Did SDG&E submit an “entirely new” analysis from its prior testimony in this**
2 **proceeding, as claimed by DRA’s Ghazzagh?**⁸

3 **A4:** No. SDG&E has provided a consistent framework and analysis of its LCR since the
4 Application was first filed in May 2011. SDG&E’s Supplemental testimony, filed on April 4,
5 2012 in response to the March 12, 2012 Scoping Memo, updated three, discrete data values from
6 my Rebuttal Testimony filed on October 21, 2011, to reflect the most current data applicable to
7 this proceeding: the load forecast including losses, uncommitted energy efficiency, and the
8 amount of local renewable resources. Updating three data values to bring the analysis up-to-date
9 does not represent an “entirely new” analysis. SDG&E finds it imperative that the Commission
10 have access to and utilize the most current data in assessing the San Diego LCR, which is what
11 SDG&E has indeed done in this proceeding.

12
13 **Q5: Will approving the three PPTAs result in over-procurement of or crowd out**
14 **preferred resources, as suggested by DRA?**⁹

15 **A5:** No. The need assessment in this testimony is just one analysis that the Commission
16 undertakes in reviewing resource needs and procurement policies. The analysis in this
17 application is solely looking at the need for local resources, not the total SDG&E’s resource need
18 or SDG&E’s actions to implement the State’s Loading Order. Local resources make up less than
19 50% of the total resources need to service the load in the SDG&E load pocket.¹⁰ The intervenors
20 made no showing that the preferred resources do not fit within this entire resource need. As part
21 of the Long Term Procurement Planning (LTPP) process, the Commission assesses the utilities’

⁸ Ghazzagh Testimony at 3, 5.

⁹ Spencer Testimony at 2.

¹⁰ Total resources needed to meet the CPUC’s adopted resource adequacy requirements is the expected SDG&E area load plus a 15% reserve margin in 2020 would be 6,121 MW. Local need is only 2928 MW.

1 overall procurement strategy as well as its processes to carry out the Loading Order, meet
2 various state policy goals, and reliably meet the electricity needs in its service area. The
3 Commission very recently completed this comprehensive assessment and approved SDG&E's
4 procurement plan, with the exception of the local needs, including a full review of all preferred
5 resources.¹¹

6 However, there is a risk of under-procurement of local generation resources – a risk that
7 the intervenors submitting reply testimony fail to acknowledge – if, for example, aggressive
8 assumptions regarding uncommitted EE, DR, local renewable and local CHP are made to
9 determine local needs and do not materialize. Procuring insufficient needed local generation
10 resources creates the prospect of either needing to carry out “just in time procurement” or a
11 reduction in local reliability if insufficient time remains to add the needed infrastructure.
12 SDG&E does not understand its obligation to serve or the Commission's resource adequacy
13 programs to allow SDG&E to take such unreasonable or unnecessary risks in supplying reliable
14 electricity to its customers.

15 Thus, SDG&E believes that the prudent local reliability planning process entails that
16 local resource needs, where the implications of being wrong are higher, must be based on
17 realistic yet conservative assumptions regarding the future development of local resources that
18 are not reasonably certain to appear in future years. By doing so, the planning process will result
19 in the availability of adequate local resources to maintain reliability. If more local resource
20 should develop than those assumptions acknowledged, then there is adequate room in the
21 portfolio for SDG&E to reduce its system-wide resources to accommodate them.

¹¹ D.12-01-033. The Commission's long-term procurement planning cycle takes about 2 years and is ongoing; the new cycle begin just as, or before, the prior cycle ends. As indicated above, issues that are properly pending in one cycle cannot be repeatedly deferred to the next cycle.

1 Also SDG&E's use of these conservative assumptions should not be interpreted that
2 SDG&E will only seek these amounts that are reasonably certain to appear. SDG&E recognizes
3 that its obligation to seek resources that follow the loading order is ongoing and in carrying out
4 its procurement obligations, SDG&E will seek all cost-effective, reliable and feasible preferred
5 resources, even if they exceed the amounts assumed in this case.

6
7 **Q6: Why is SDG&E objecting to use of the 2010 LTPP Planning assumptions and**
8 **instead supporting other assumptions?**

9 **A6:** SDG&E supports the use of new planning assumptions when new, updated information is
10 available for that topic. As an example, the 2010 LTPP used the 2009 California Energy
11 Commission (CEC) Integrated Energy Policy Report (IEPR) load forecast, since that was the
12 latest load forecast that the CEC had produced at the time. Much has happened since that
13 forecast was produced, and now the CEC has issued update load growth figures. Thus, SDG&E
14 is recommending that the latest CEC IEPR forecast be used. Likewise, the 2010 LTPP used the
15 latest adopted demand response ex-anti forecast from April of 2010. In this proceeding, SDG&E
16 is recommending that it be updated to the current forecast. So, SDG&E is referring to the same
17 sources of data that were used in the 2010 LTPP and updating them for the newest data.

18 Second, the 2010 LTPP planning assumptions did not undertake the detailed analysis that
19 is warranted for reliability planning in determining what resources would be located in the load
20 pocket. Some resources assigned to SDG&E were simply based on an allocation of a state-wide
21 number.

1 Third, the Load and Resource Tables assigned resources to the SDG&E tables if the
2 resources were located in the load pocket but also those resources that are connected as far east
3 as the Imperial Valley substation.

4 Thus, there were several shortcomings of the 2010 LTPP Planning assumptions that
5 would not accurately depict or predict SDG&E's LCR over the planning horizon.

6
7 **Q7: Please summarize how the need showings in the testimony of DRA witnesses
8 Ghazzagh and Fagan differ from the SDG&E need showing?**

9 **A7:** Two DRA witnesses, Mr. Fagan and Mr. Ghazzagh, presented two differing need
10 analyses, so it is unclear what exact set of assumptions DRA recommends be used. As an
11 example, Mr. Ghazzagh used the 2010 LTPP load forecast, but Mr. Fagan used the New CEC
12 2011 IEPR load forecast. They also used different assumptions related to CHP. However, it
13 appears that DRA's need analysis mainly differs from SDG&E's in three areas. First, DRA is
14 proposing to heavily rely on the 2010 LTPP Scoping Memo planning assumptions even though
15 many of them are out of date. In contrast, SDG&E proposes to update those assumptions where
16 new, up-to-date information is available.

17 Second, DRA proposes that the Commission adopt assumptions for various "preferred"
18 resources in the San Diego area in future years even though DRA has given no sound support
19 that the assumptions are realistic and cost-effective in the quantities they propose. In contrast,
20 SDG&E has proposed robust generation supply sources and values for resources that can
21 reasonably be expected to come online in the load pocket during the planning horizon.

22 Third, DRA appears not to present a credible solution that gives effect to the State Water
23 Resources Control Board's OTC requirements and would increase the chances that the San

1 Diego area will continue to rely on the aging, inefficient OTC units. In contrast, SDG&E's
2 proposal enables the timely retirement of the San Diego area OTC units should they not be able
3 to meet the requirements. Even if several of the OTC units remain in service, the local area will
4 have access to new clean, efficient, reliable power plants for many years to come.

5
6 **Q8: Please explain why SDG&E used updated load forecast data and why doing so is**
7 **appropriate in this case?**

8 **A8:** SDG&E believes the need analysis should be based on the most recent CEC load forecast
9 developed as part of the 2011 IEPR Process. The Commission's use of the latest CEC load
10 forecast is consistent with past Commission practice of adopting the most recent CEC load
11 forecast for resource planning. The 2010 LTPP planning assumptions stated that the load
12 assumption will be the "Most recent 1-in-2 IEPR base case load forecast."¹² SDG&E's
13 assumption is to use what is now the most recent IEPR forecast. SDG&E observes that DRA
14 witness Ghazzagh uses the older demand forecast developed in the prior 2009 IEPR process.¹³
15 However, DRA witness Fagan uses the same forecast that SDG&E is using.¹⁴ The Commission
16 should not rely on an outdated demand forecast in evaluating a utility's LCR.

17 The most recent CEC IEPR load forecast was finalized by the CEC staff on May 31,
18 2012.¹⁵ The demand forecast shows an expected peak for San Diego in 2020 of 5,359 MW.
19 This figure is 36 MW greater than the Staff's Preliminary Forecast that SDG&E previously used.
20 The 1-in-10 peak also increased to 5,863 MW, up from 5,824 MW. Thus, if SDG&E were to

¹² See December 3, 2011 Assigned Commissioner and ALJ's Joint Scoping Memo and Ruling, Appendix B at 4.

¹³ Ghazzagh Testimony at 4.

¹⁴ Supplemental Testimony of Robert Fagan on Behalf of DRA ("Fagan Testimony") at 12, Table RF-3, row A.

¹⁵ It can be found at http://www.energy.ca.gov/2012_energy/policy/documents/index.html#no-meeting

1 update its analysis with this final IEPR load forecast, its need in 2020 would increase by 39 MW,
2 as compared to the need shown in Table 1 of my May 19, 2011 Supplemental Testimony.

3 In my rebuttal testimony in this proceeding, I discussed the CEC's 2011 IEPR
4 preliminary load forecast and compared it to the 2010 LTPP planning assumptions.¹⁶ Thus,
5 SDG&E has supported the use of the updated load forecast for over a year. The fact that this
6 testimony relies on the latest update to the CEC IEPR forecast is not a "late hour" update, as
7 claimed by DRA.¹⁷ SDG&E finds it reasonable and local to update its load forecast values, and
8 similarly, it would be incorrect not to do so.

9
10 **Q9: What is SDG&E's view regarding DRA's assumption that 68 MW of incremental**
11 **RPS should be assumed in the SDG&E service area?**

12 **A9:** DRA's witnesses based the 68 MW value on a line item SDG&E included in the 2010
13 LTPP Track I Testimony.¹⁸ The 68 MW represented the amount of local peaking capacity in the
14 San Diego local area assumed to come from the Commission's Renewable Auction Mechanism
15 (RAM) program. SDG&E had intended to solicit almost all of the 80 MW for the program from
16 a local resource product category that would yield 68 MW on a Net Qualifying Capacity (NQC)
17 basis. However, in Commission Resolution E-4414, which came out after the assumption was
18 made, the Commission determined that SDG&E could not define a "local product" category as
19 SDG&E had proposed. Based on the bids received and the results of the first RAM RFO, which
20 awarded all capacity to new resources not located in the load pocket, SDG&E does not believe it
21 a valid assumption to assume that load for the program would be located in the San Diego load

¹⁶ Prepared Rebuttal Testimony of Robert Anderson on Behalf of SDG&E, dated October 21, 2011, at RA-9

¹⁷ Ghazzagh Testimony at 5.

¹⁸ The values are shown on Table FG-1, line 27 (Ghazzagh Testimony at 9) and Table RF-3, row J (Fagan Testimony at 12).

1 pocket. In sum, SDG&E now expects that the new capacity for the RAM program will be met
2 from resources located outside of the San Diego local area. Thus, DRA's assumption that would
3 include 68 MW of capacity in the San Diego load pocket is not supported.

4
5 **Q10: What is SDG&E's view regarding DRA's recommendation to assume higher**
6 **amounts of incremental CHP in the resource portfolio?**

7 **A10:** DRA witnesses Ghazzagh and Fagan assumed that 92 MW of incremental CHP will be
8 added to the local area by 2020.¹⁹ Their assumptions are based on the 2010 LTPP Scoping
9 Memo.

10 The 2010 LTPP Scoping Memo is not an accurate source for determining how much CHP
11 will be developed in SDG&E's load pocket for reliability planning purposes. The 2010 LTPP
12 assigned a future statewide CHP forecast to the respective utility service areas based on historical
13 ratios. In contrast, SDG&E's assumptions are based on actual market data and past performance
14 specific to the service area, as was explained in my Supplemental Testimony.²⁰

15 SDG&E's demand-side CHP estimate is based on actual activity in SDG&E area and is
16 based on the historical growth that has occurred. This can be seen in the CEC load forecast.²¹
17 SDG&E's need analysis did not include any incremental supply-side CHP, for several reasons.
18 First, SDG&E has not seen any new CHP built to supply the wholesale market in its service area
19 in over 10 years. Second, SDG&E has just completed its first RFO under the CHP settlement
20 which has provide recent market information as to what might be expected as far as new local
21 CHP. Thus, both historical and forward-looking market data supports SDG&E's assumption that

¹⁹ The values are shown on Table FG-1 (Ghazzagh Testimony at 8) and Table RF-3 (Fagan Testimony at 12).

²⁰ Anderson Testimony at 8-10.

²¹ The impact of behind the meter CHP can be seen in the CEC load forecasts in a column called "Non PV Self generation."

1 no new local (San Diego load pocket area) supply-side CHP should be assumed for reliability
2 planning.

3
4 **Q11: What is SDG&E’s view regarding DRA’s witness Ghazzagh assumption about the
5 addition of incremental distributed generation?**

6 **A11:** SDG&E does not agree that these levels of distributed generation can be counted on to be
7 in service for reliability planning. As an example, the high DG in the DRA assumption is from
8 the Environmental Constrained Renewable Portfolio in the 2010 LTPP assumptions.²² Likewise
9 on the low end, DRA used the value from the CAISO base case. This value was based on an
10 updated version of the 2010 LTPP Cost Constrained Renewable Portfolio case. In both cases the
11 portfolios were based on different theoretically renewable portfolio build outs. However, these
12 portfolios do not in match SDG&E’s actual Renewable Portfolio Standard (RPS) contracts.
13 SDG&E has completed contracting for all the resources it needs to meet a 33% RPS except for
14 some remaining open position in the third compliance period. Thus, the vast majority of its RPS
15 portfolio is known and will not result in the volume of local capacity assumed in these specific
16 planning portfolios. Thus, DRA’s theoretical value should be disregarded, and actual contracting
17 values should be used.

18
19 **Q12: Do you agree with DRA’s “range of need” and conclusion that “there is likely to be
20 no need for new local capacity equal or even close to what SDG&E is requesting”?**

²² Ghazzagh Testimony at 16.

1 **A12:** No. SDG&E would note that the analyses of DRA witness Ghazzagh and DRA witness
2 Fagan produce different need results but that is simply because they use a different combination
3 of the assumptions which I and SDG&E witness Besa address.²³ Earlier in this testimony, I
4 pointed out areas in which these tables use outdated or erroneous assumptions, such as for load,
5 CHP and DG. Ms. Besa points out the issues with the assumptions they used for uncommitted
6 EE and DR. If the tables are corrected for the correct assumptions for all these inputs they will
7 result in a need identical to SDG&E's.

8 SDG&E also disagrees with certain assumptions made by the DRA witnesses as to how
9 the San Diego local need might be met. Mr. Ghazzagh assumes in one case that 500 MW of
10 Encina remains in service.²⁴ However, the problem with this assumption is that if the
11 Commission relies on several of the Encina units to remaining in service and does not authorize
12 new generation, then the CAISO will have no choice but to rely on those units through the
13 planning horizon, even if they are unable to meet the OTC requirements. DRA's witnesses
14 Ghazzagh and Fagan assume the proposed Carlsbad Energy Center will be built.²⁵ However,
15 their testimonies offer no explanation as how or why the Commission should assume a new plant
16 without a contract will be built, or why it would be more cost-effective to rely on this plant as
17 compared to the ones in this Application.

²³ Ghazzagh Testimony at 8-9, Table FG-1; Fagan Testimony at 12, Table RF-3.

²⁴ Ghazzagh Testimony at 12-13.

²⁵ Ghazzagh Testimony at 12-13 and Fagan Testimony at 13-14, 33.

1 **Q13: Do you agree with DRA’s recommendation that the Commission should not**
2 **authorize any additional procurement in this case, and even if the Commission approves**
3 **the 3 PPTAs, the Commission should defer “any residual need” to the 2012 LTPP?**²⁶

4 **A.13:** No. As stated above, the Commission has indicated that this proceeding will assess the
5 San Diego’s areas resource adequacy for the period through 2020. If the Commission finds a
6 resource need that exceeds the amount that the three PPTAs will meet, it can then authorize
7 SDG&E to procure that additional capacity.

8
9 **Q14: Do you have any comments on CEJA’s witness Firooz’s comments about SDG&E’s**
10 **retirement assumptions for the Cabrillo II generating resources and the Encina CT?**²⁷

11 **A14:** SDG&E disagrees with CEJA’s position that reliability planning should assume that the
12 Cabrillo II units will remain in service through 2021. As SDG&E has testified, its assumption is
13 that the units will be closed at the end of 2013 when their current leases expire.²⁸

14 CEJA’s support for assuming the continued operation of the Cabrillo II units apparently
15 is based on an assumption that the units would be run rarely and for short durations. SDG&E
16 disagrees, however, with this assumption. Ms. Firooz’s assumption is based on a historical view
17 of the role these peakers have played, as compared to the current or future view.

18 The operation of SDG&E’s Miramar units illustrates the new role that combustion
19 turbines are now required to play in a system that relies on greater amounts of renewable power.
20 SDG&E’s Miramar units have averaged more than one start per day this year. This is because
21 peaking turbines play a different role today. Historically, peaking units were used only to meet

²⁶ Ghazzagh Testimony at 3.

²⁷ Prepared Direct Testimony of Jaleh Firooz on Behalf of CEJA (“Firooz Testimony”) at 10.

²⁸ Prepared Supplemental Testimony of Robert Anderson on Behalf of SDG&E at RA-9

1 demand on the higher load days. Now, these units are needed to meet operating concerns like
2 meeting the morning or afternoon ramp as changes in wind or solar generation put strains on the
3 system. Thus, old, inefficient units with permit limits that allow a maximum of a 10% capacity
4 factor will not provide the least cost support the grid needs. Also, it is inconsistent with the
5 State’s policy to reduce greenhouse gases to have SDG&E’s local reliability based on units that
6 produce up to almost twice the GHG when operated since their heat rate is almost twice that of
7 some of the units proposed in this Application.

8 CEJA’s witness Firooz states that the new Product 2 gas turbines “would have to be
9 replaced twice; [...] in year 21 and [...] in year 41,” thus summing to an over-forty-year period.²⁹
10 However, since the existing Cabrillo II units are already over forty years old, using witness
11 Firooz’s own assumptions, it is unclear how these units that are already forty years old should be
12 relied on for the future if the new units needs to be replaced every twenty years.

13
14 **Q15: Do you have any comments on CEJA’s witness Powers estimates for CHP and**
15 **Renewables?**

16 **A15:** CEJA witness Powers makes many of the same claims or supports using the same inputs
17 as DRA. This includes relying on old forecasts for CHP and renewables that are not correct. To
18 the extent these have been addressed above, I will not repeat it here. However, there are several
19 items in his testimony that I will address.

20 First, Mr. Powers shows, in Table 4, a value of 508 MW of renewable additions based on
21 the 2010 LTPP assumptions.³⁰ This value was from the Trajectory RPS portfolio, one of four

²⁹ Firooz Testimony at 13.

³⁰ Prepared Direct Testimony of Bill Powers on Behalf of CEJA (“Powers Testimony”) at 14.

1 that were included. The theoretical RPS portfolio in the 2010 LTPP do not match SDG&E's
2 actual RPS portfolio and thus should be discounted.

3 Additionally, in Table 4, Mr. Powers also does not account for the fact that the 2010
4 LTPP assumptions included renewables located outside the local load pocket.³¹ In fact, it
5 appears that the 508 MW figure could include renewable that are connected to grid at the
6 Imperial Valley Substation and that are not in the San Diego load pocket.³² Thus, Mr. Powers'
7 508 MW value appears in no way comparable to the other values that specifically look at
8 renewables in the pertinent load pocket.

9 Also, CEJA's witness Powers, in Table 5, makes an estimate on the Distributed
10 photovoltaic (PV) that would be located in the San Diego load pocket.³³ However, this estimate
11 does not accurately represent the capacity that can be counted on for local reliability. SDG&E
12 would note that the California Solar Initiative PV is already built into the CEC's load forecast, so
13 it is accounted for.

14 Additionally, regarding SDG&E's Distributed PV program, which is made up of 26 MW
15 DG owned by SDG&E and 74 MW of power purchases, the ownership portion is being pursued,
16 but these projects are still in the environmental review process and thus far from certain. Also,
17 there is no obligation in the program for that power to be fully deliverable, and thus it cannot be
18 count towards resource adequacy. Full deliverability will be considered only after it is
19 determined if it is cost-effective to do so. The 74 MW of the purchase power from that program
20 has been moved in to the RAM program, which is also listed in the table. As I explained above,
21 there is no requirement that the RAM MW be located in the San Diego load pocket. Lastly the

³¹ Powers Testimony at 14, Table 4.

³² The 508 MW can be found in the table for the 33% Trajectory scenario on page 19 of Attachment A of 2010 LTPP.

³³ Powers Testimony at 15.

1 implementation of Senate Bill (SB) 32 feed in tariif does not require that the capacity be
2 deliverable. Thus the capacity in this table is either already accounted for, not required to be
3 located in the load pocket or is not required to obtain full deliverability and count towards
4 resource adequacy.

5
6 **Q16: CEJA witness Powers claims more storage should have been considered in the**
7 **CAISO's and SDG&E's analyses. Do you agree?**

8 **A16:** No. Presently, there is no basis to assume that any large, bulk storage capacity capable of
9 meeting the local grid reliability criteria will be added in the study time period. Witness Powers
10 references a number of small applications that are being proposed or tested.³⁴ But, these pilot
11 projects are not designed to serve the bulk generation market and cannot and should not be
12 counted for local system reliability.

13 Mr. Powers seeks inclusion of SDG&E's Smart Grid plan in support of his position.³⁵
14 The Smart Grid filing was designed to provide the Commission with a summary of potential
15 projects that could occur in implementing a smart grid. However, this Application is not request
16 for funding for any of the Smart Grid projects.

17 Further, the storage referenced by Mr. Powers was not designed to ensure local resource
18 adequacy. Instead, the storage included in the Smart grid application was intended to mitigate
19 the impact of renewables by providing voltage support to the distribution system as the
20 penetration levels of distributed solar increase significantly. This type of storage is not installed
21 to provide power at times of peak. In sum, while storage may play a role in providing reliable

³⁴ Powers Testimony at 10 – 14.

³⁵ *Id.*

1 power locally as the technology is further developed, it is not the solution to grid reliability at
2 this time.

3
4 **Q17: NRG witness Theaker claims, at page 6, that “...the CAISO would not need to**
5 **engage in CPM procurement to meet the subpocket need if SDG&E contracted for that**
6 **capacity.” Has SDG&E considered doing so?**

7 **A17:** All offers that were submitted to SDG&E pursuant to the CPUC-directed and –supervised
8 2009 Conventional Supply (“Product 2”) Request For Offers were fully considered, and an
9 Independent Evaluator fully monitored the bid-selection process. As a result of that effort, the
10 three generators that are now at issue in the subject application were selected as the least
11 cost/best fit resources.

12
13 **Q18: Do you agree with Mr. Fagan’s point about lead times necessary to ensure resource**
14 **adequacy?**

15 **A18:** No. Mr. Fagan provides some very general statements about lead times, and he states
16 that generation resource lead times can range from 1 year to more than 5 years.³⁶ SDG&E’s
17 experience has been that more than 5 years is realistic based on its prior experience. The
18 milestones in this timeframe include obtaining a need finding, conducting an RFO, obtaining
19 Commission approval, obtaining approved permits and interconnection studies by the generator,
20 and then completing construction to the plant coming into service. As the instant proceeding and
21 related prior proceedings show, we need a substantial amount of lead time to plan, seek
22 regulatory approvals, and built new generation, especially in California. Considering that the

³⁶ Fagan Testimony at 17.

1 OTC regulations apply to the Encina Power Station on December 31, 2017 – in 4 ½ years from
2 now – SDG&E is not acting prematurely in seeking approval now for the 3 PPTAs.

3

4 **Q19:** Does this conclude your testimony?

5 **A19:** Yes.