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Exhibit No.:
Witness: Andrew Scates

DIRECT TESTIMONY OF

ANDREW SCATES

SAN DIEGO GAS & ELECTRIC COMPANY

redacted, public version

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
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DIRECT TESTIMONY OF
ANDREW SCATES
ON BEHALF OF SDG&E

I. INTRODUCTION

My testimony describes the resources San Diego Gas & Electric Company ("SDG&E") expects to use in calendar year 2012 to provide electric commodity service to its bundled service customers and the procurement costs that SDG&E expects to record in 2012 to the Energy Resource Recovery Account ("ERRA"). A summary of the proposed total 2012 ERRA revenue requirement is contained in the direct testimony of SDG&E witness Amanda D. Jenison.

Section II of my testimony describes the supply resources that SDG&E forecasts will be utilized to meet SDG&E's bundled customer load in calendar year 2012. These resources include SDG&E continuing obligations under various long-term power purchase contracts, including Public Utility Regulatory Policies Act ("PURPA") contracts, contracts with conventional generators, contracts with renewable generators, SDG&E-owned generation (including 20% of the San Onofre Nuclear Generating Station ("SONGS")), and anticipated short-term market transactions. Section III of my testimony quantifies the costs associated with the resources described in Section II along with other electric procurement requirements that are recorded in ERRA, such as CAISO charges and portfolio hedging costs. My statement of qualifications is found at the end of my testimony.

My testimony makes reference to the following, which are attachments located at the end of the testimony: Attachment A: 2012 ERRA Expense Forecast; Attachment B: Forecast Volumes by Resource Type for 2012; Attachment C: Detail of Long-Term Competitive Transition Charge ("CTC") and Qualifying Facility Contract Expense Forecast; and Attachment D: Detail of Renewable Expense Forecast.

II. 2012 FORECAST OF LOAD AND SUPPLY RESOURCES

On January 1, 2003, SDG&E resumed procurement of its Residual Net Short ("RNS") position and assumed operational control of various California Department of Water Resources ("CDWR") long-term contracts, which SDG&E dispatches along with its own supply resources as a single, integrated portfolio. The remaining CDWR contracts allocated to SDG&E include as-available wind resource contracts, and dispatchable resource contracts. Costs for these contracts are captured through CDWR's retail remittance rate. SDG&E procures resources from a diverse portfolio that includes nuclear, renewable, Qualifying Facilities ("QFs") and dispatchable generation. Most of the costs for these resources are captured through the ERRA.

The results contained in this application were developed using the production cost model ProSym from Global Energy Decisions, a Ventyx Company. SDG&E and CDWR resources were modeled in ProSym, which produced generation forecasts for these resources based on contract requirements and forecasts of 2012 natural gas and electric prices. The price forecasts were based on a recent (September 1, 2011) assessment of 2012 market prices based on the average of forward prices over a 22-day period. In the new CAISO market structure following implementation of the Market Redesign and Technology Upgrade ("MRTU") on April 1, 2009, SDG&E's bundled load requirements – primarily of energy and ancillary services ("A/S") – are purchased from the CAISO Day-Ahead and Real-Time Markets ("DAM" and "RTM") rather than directly supplied from SDG&E portfolio resources. Similarly, the output from SDG&E's portfolio of resources is sold into the CAISO DAM and RTM rather than directly scheduled to serve SDG&E's bundled load. SDG&E's ERRA forecast for 2012 addresses this new market structure by separating the expected purchase cost of energy and A/S for its bundled load from the expected sales revenue and supply cost of energy and A/S from its resource portfolio.

LOAD FORECAST

The forecast of SDG&E's 2012 bundled load requirement was derived from the California Energy Commission's ("CEC's") new short-term forecast. A long-term load forecast is usually approved via the CEC's Integrated Energy Policy Committee report

process. However, the CEC had not produced a new long-term forecast between the 2009 Integrated Energy Policy Report, (IEPR), and the time a forecast was needed for this application. Thus, SDG&E relied on the CEC's new short-term forecast. This process entailed updating the forecasts of both energy and peak load. Energy requirements were projected based on annual growth rates from the IEPR forecast applied to the most recent weather-normalized base year (2010). System peak was taken directly from the CEC Revised Short-Term (2011-2012) Peak Demand Forecast (CEC-200-2010-011-SD) which was released in December 2010 and was then officially adopted by the CEC in March 2011 without changes. Using the CEC's forecast and adjusting for direct access load, SDG&E projected that its bundled load for 2012 will be [redacted]. This forecast is [redacted] lower than SDG&E's forecasted bundled load for 2011 ([redacted]). SDG&E's A/S obligations were forecasted to be 6% of load for operating reserves and 2.5% of load for regulation capacity based on the CAISO's historical levels of procurement for these products.

SUPPLY RESOURCE FORECAST

SONGS

SDG&E has a 20% ownership interest in SONGS Units 2 & 3 for a combined capacity of 450 MW.[1] SDG&E sells the output from SONGS into the CAISO market as baseload energy. The forecasted supply of SONGS energy for 2012 is [redacted] for both units, a decrease of [redacted] from the forecast for 2011 ([redacted]). Both SONGS units have planned refueling outages in 2012 whereas only one unit was planned out in 2011.

PORTLAND GENERAL ELECTRIC−BOARDMAN

SDG&E has a long-term power purchase agreement with Portland General Electric ("PGE") for 15% of the output of the Boardman coal-fired power plant. SDG&E's current share of plant output is nominally 86 MW at the plant and 83 MW after transmission losses delivered to the CAISO grid at Malin. Based on its variable cost

[1] Capacity ratings provided in this testimony are the maximum operating levels defined in the CAISO Resource Data Template for each resource.

of delivery to CAISO of about [redacted], the forecast supply of Boardman energy for 2012 is [redacted], about unchanged from the forecast for 2011 ([redacted]).

This contract contains curtailment provisions whereby SDG&E can reduce its schedule on an hourly basis. The implementation of MRTU allows SDG&E to bid in Boardman energy into the CAISO market at a price to ensure that SDG&E receives revenues sufficient to offset the delivery cost for Boardman. While the relatively low energy price suggests that the contract will be fully scheduled for most available hours, economic bids may result in the amount of energy supplied by Boardman to the CAISO being lower than forecast.

QUALIFYING FACILITIES

In 2012, SDG&E will have about 230 MW of capacity under contract with nine QFs.[2] The five largest QF contracts account for 218 MW or 95% of total QF capacity. All QFs are located in the SDG&E service area except for the Yuma Cogeneration Associates plant ("YCA"), a 56.5 MW natural gas-fired plant in Arizona whose output is imported into the CAISO.

QF contracts are must-take resources. SDG&E is obligated to pay the contract price for all delivered QF generation and schedule it into the CAISO market, with the exception of limited price replacement rights in the YCA and Goal Line contracts. To the extent allowed in these contracts, SDG&E exercises these rights during low-priced hours to maximize ratepayer savings. Typically, these plants will choose to shut down during these hours to avoid operating at a loss. Accounting for these economic curtailments and forecast availability, the forecast of QF energy supply in 2012 is [redacted] (an increase of [redacted] from the forecasted amount for 2011 ([redacted]),

[2] The actual number of active QF contracts is over 50, but many of these QF resources only serve on-site load and do not deliver net energy to SDG&E. As a result, these are not included in the production cost model run. The nine QFs referenced above deliver net energy to SDG&E and are modeled in ProSym.

RENEWABLE ENERGY CONTRACTS

SDG&E procures renewable energy through competitive solicitations and bilateral agreements to meet the Renewable Portfolio Standard ("RPS")[3] established by Senate Bill ("SB") 1078, *et seq*.[4] The forecast of renewable energy supply from California Public Utilities Commission ("Commission") approved contracts for 2012 is 2,875 GWh, which includes 1,163GWh of Renewable Energy Credits ("RECs") quantities that are delivered to SDG&E in conjunction with existing non-renewable imports. This forecast is an increase of 685 GWh from the forecast for 2011 (2,190 GWh).

SDG&E expects to receive the following in 2012 towards meeting its RPS target:

- 26 GWh of renewable energy under existing QF agreements. The quantity and ERRA cost associated with these contracts was included under QFs for the purposes of this testimony.
- 1,163 GWh of anticipated renewable energy credits from the various wind contracts. The renewable energy credits are delivered using physical deliveries of energy that SDG&E has already accounted for in its 2012 forecast. However, costs associated with these renewable energy credits are incremental to ERRA and were included in the ERRA cost forecast.

SDG&E included renewable energy quantities of wind projects which are currently under negotiation but which have a reasonable probability of success. SDG&E aggregated these and called them Generic Wind contracts (under negotiation). SDG&E did not include renewable energy quantities or costs associated with the Sustainable Communities Photovoltaic program because costs for this program are not charged to ERRA.

SDG&E continues to pursue new renewable energy resources to add to its portfolio for 2012, which will increase ERRA-related quantities and costs. A detailed table of the renewable contracts discussed above is provided in Attachment D.

[3] Some renewable resources have QF contracts and also qualify to meet the Renewable Portfolio Standard. Those resources are reported in the QF sections of this testimony.
[4] *See* e.g., D.03-06-071; D.04-07-029; D.05-07-039; D.06-10-019.

SDG&E-OWNED DISPATCHABLE GENERATION

SDG&E owns the following power plants: the 565 MW Palomar Energy Center ("Palomar") combined cycle power plant that commenced commercial operation in April 2006, the 48 MW Miramar Energy Facility ("Miramar I") peaking combustion turbine that commenced commercial operation in July 2005, the second 48 MW Miramar peaker ("Miramar II") that commenced commercial operation in August 2009, and newly acquired in 2011 from Sempra Generation, the 495 MW Desert Star Energy Center ("Desert Star") combined cycle power plant, (previously known as El Dorado). SDG&E is also seeking approval to exercise the option to purchase CalPeak El Cajon. These units are dispatched for generation and A/S awards based on economic merit and SDG&E's requirements. For the 2012 forecast, SDG&E's dispatch model considered only generation dispatched for energy rather than for A/S. The rationale for this approach is that the CAISO co-optimizes market awards between energy and A/S based on the opportunity cost of capacity and, therefore, the economic benefit (and ERRA contribution) of using capacity for generation is equivalent to using capacity for A/S.

The forecasted generation for Palomar in 2012 is [redacted], a decrease of [redacted] from the forecast for 2011 ([redacted]). The forecasted generation for Miramar I & II in 2012 is [redacted], a decrease of [redacted] from the forecast for 2011 ([redacted]). The forecasted generation for Desert Star in 2012 is [redacted], an increase of [redacted] from the three-month forecast for 2011 ([redacted]). The slight decreases in forecasted generation for existing resources reflect the addition of Desert Star to the portfolio. While existing resources "backed down" to make room for Desert Star, the overall conventional portfolio increased generation to cover the expiration of the Sunrise CDWR contract.

SDG&E-CONTRACTED GENERATION

SDG&E will have a number of generation units under contract in its resource portfolio in 2012. SDG&E's Power Purchase Agreement ("PPA") for Otay Mesa Energy Center ("OMEC"), a combined-cycle plant, is expected to provide a significant quantity of generation to the CAISO market. The primary benefit of the other contracts will be to

offset SDG&E's load requirements from a capacity standpoint. The larger of these contracts are described below:

The OMEC tolling agreement between SDG&E and Calpine began in October 2009. OMEC is an air-cooled 2x1 combined cycled plant that provides up to [redacted] of efficient, gas fired generation capacity. The forecasted generation from OMEC for 2012 is [redacted], an increase of [redacted] from the forecast for 2011 ([redacted]).

The Orange Grove contract provides [redacted] of peaking capacity and is forecasted to generate [redacted] during 2012.

The Wellhead contract, El Cajon Energy Center, provides [redacted] of peaking capacity and is forecasted to generate about [redacted] during 2012. The difference in forecast between the El Cajon Energy Center and Orange Grove contracts is due primarily to a higher fuel transportation cost for the El Cajon Energy Center.

SDG&E's 2012 portfolio assumes that the [redacted].

MARKET PURCHASES AND SURPLUS SALES

Under MRTU, quantities purchased from the CAISO for SDG&E's load are based on load schedules and economic bids. Quantities sold to the CAISO from SDG&E's resource portfolio are based on completely separate generation schedules and economic bids. Therefore, there is no requirement that load and generation quantities that clear the market must balance.

If in any hour, the quantity of SDG&E's bundled load requirements purchased from the CAISO is greater than SDG&E-controlled generation sold to the CAISO, the difference may be viewed as equivalent to a market purchase. If in any hour, the quantity of SDG&E's bundled load requirements purchased from the CAISO is less than SDG&E-controlled generation sold to the CAISO, the difference may be viewed as equivalent to a market sale.

SDG&E forecasts that the quantity of equivalent market purchases will be [redacted] in 2012, an increase of [redacted] from the forecast for 2011 ([redacted]). This increase is due primarily to a combination of the expiration of the Sunrise CDWR

contract, creating additional need in the portfolio, and a lower market heat rate which makes market purchases more economic.

CDWR ALLOCATION

CDWR contracts will supply an estimated [redacted] of energy to the CAISO in 2012, a decrease of [redacted] from 2011's expected CDWR energy volumes ([redacted]). This decrease is due to the expiration of the CalPeak contracts in December 2011 and Sunrise Power Plant contract in June of 2012. SDG&E's resource portfolio will supply an estimated [redacted] of energy to the CAISO in 2012 (excluding REC quantities), an increase of [redacted] from 2011's expected energy volumes ([redacted]). For 2012, the CDWR share of load is projected to be [redacted] (less than the [redacted] projected for 2011), also due to the expiration of the CalPeak contracts and the Sunrise Power Plant contract.

III. 2012 FORECAST OF ERRA EXPENSES

Electric procurement expenses incurred by SDG&E to serve bundled load are recorded to the ERRA. These expenses include, but are not limited to, costs and revenues for energy and capacity cleared through the MRTU markets, power purchase contract costs, generation fuel costs, market energy purchase costs, CAISO charges, brokerage fees and hedging costs. Deviations between forecast and actual costs for any of these items will create variances between forecast and actual ERRA costs.

Expenses associated with CDWR resources, including contract costs, gas tolling expenses, and gas hedging expenses are recovered by CDWR through its retail remittance rate and not recorded as an ERRA expense. The ERRA balance may be impacted by CDWR resources, however. For example, lower-than-forecast generation from CDWR contracts would require additional supply from SDG&E's portfolio that is paid by ERRA funds.

SDG&E expects to incur $876 million of ERRA costs in 2012, before franchise fees and uncollectibles ("FF&U") costs (see Attachment A). This forecast is $129 million more than the $747 million forecast for 2011. The key drivers behind the

increase are the contract expiration of the CDWR Sunrise Plant which caused an increase in generation of SDG&E's portfolio, the increase of renewable generation costs of more than $60 million, and the addition of Desert Star to the portfolio which added fuel costs that did not previously exist.

The remainder of this testimony will discuss the cost of specific ERRA items in more detail.

LOAD

Under MRTU, the CAISO supplies and sells all energy and A/S to SDG&E to meet SDG&E's bundled load requirement. Based on expected prices for energy and A/S, SDG&E expects to incur charges totaling [redacted] for load requirements in 2012 from the CAISO.

SUPPLY ISO REVENUES

Under MRTU, all generation from SDG&E's resource portfolio is sold to the CAISO. Based on expected prices for energy, SDG&E expects to receive revenues totaling [redacted] for generation produced in 2012. These revenues are largely offset by costs incurred for generation fuel & variable O&M, contracted energy purchases and generation capacity. These costs are described in more detail below.

GENERATION FUEL & VARIABLE O&M

SONGS:

Only SONGS nuclear fuel expense and fuel carrying charges are booked to ERRA. Other SONGS costs, such as O&M and capital addition, are recorded in the Non-fuel Generation Balancing Account ("NGBA"). The projected ERRA expense for SONGS nuclear fuel and carrying charge expenses for 2012 is [redacted].

PALOMAR, DESERT STAR & MIRAMAR (fuel expenses that are recovered through ERRA):

In 2012, the ERRA expense for generation fuel purchased by SDG&E for Palomar, Miramar I & II, the newly acquired Desert Star plant and the projected purchase

of CalPeak El Cajon is forecasted to be [redacted]. Capital and non-fuel operating costs for these plants are recovered through the NGBA as required by Decision ("D.") 05-08-005, Resolution E-3896 and D.07-11-046.

CONTRACTED ENERGY PURCHASES

PGE BOARDMAN CONTRACT:

The costs incurred under the PGE Boardman long-term PPA include energy, capacity, transmission losses, transmission capacity from the plant to the CAISO, and SDG&E's share of any capital additions to the unit. The contract energy payment is based on an energy price ([redacted]) which is applied to SDG&E's share of the plant output. However, this contract is a CTC contract; therefore, the expense recorded to the ERRA is determined by multiplying the forecast energy production by the proposed market benchmark price of [redacted]. The 2012 ERRA expense for this contract is projected to be [redacted].

QUALIFYING FACILITIES:

All QFs are under contract with SDG&E through as-available capacity or firm capacity PURPA contracts. These contracts include provisions for both energy and capacity payments. The energy payment is determined using the SDG&E Short-Run Avoided Cost ("SRAC") formula[5]. QF contracts are eligible for CTC recovery. Like the PGE Boardman contract, the ERRA expenses for CTC QF contracts are based on delivered energy multiplied by the market benchmark price. Any costs, including capacity payments, greater than the market benchmark price are booked to the Transition Cost Balancing Account ("TCBA"). For the purposes of ERRA accounting, ERRA expenses for CTC QF contracts are recorded on Line 30 of Attachment C, "Qualifying Facilities (Up To Market)," and are forecast to be [redacted] in 2012. Any gas hedging costs incurred to mitigate SRAC-priced QF contracts would also be recovered in ERRA, but those expenses are captured in Line 49 Attachment A, "Hedging Costs." Attachment

[5] The derivation of the SRAC price for QF contracts is posted monthly on an SDG&E website (URL: http://www2.sdge.com/SRAC/).

C details the breakdown of all the units discussed in this section and shows the associated costs, both ERRA and TCBA, and the forecast energy deliveries.

RENEWABLE ENERGY CONTRACTS:

SDG&E's renewable energy contracts usually contain an energy payment only and no capacity payment. There are some slight differences between renewable contracts regarding energy payments based on schedules or metered energy, and the treatment of CAISO imbalance charges, depending on the type of resource. In 2012, SDG&E's renewable energy portfolio will include a cost for the renewable energy credits described in Section II under "Renewable Energy Contracts." None of the renewable energy contracts in the SDG&E portfolio are CTC contracts. All costs associated with these contracts are booked as an ERRA expense and are forecast to be $185 million for 2012. Attachment D details the renewable projects by fuel type, their costs and forecasted energy deliveries.

OTHER PURCHASED POWER CONTRACTS:

SDG&E's forecast of total costs for non-renewable power purchase contracts in 2012 is [redacted]. These costs cover capacity payments and variable generation costs for OMEC, PGE Boardman, QFs and several peakers. The largest components in this category are capacity and generation costs for the OMEC unit, expected to be [redacted], and Resource Adequacy capacity costs for [redacted], expected to be [redacted].

INTER-SCHEDULING COORDINATOR TRADES ("ISTs"):

Under MRTU, SDG&E may transact ISTs bilaterally with counterparties to hedge long or short positions. Under an IST purchase, SDG&E would pay the counterparty the contracted energy price and in return receive payment from the CAISO based on the MRTU market clearing price. Under an IST sale, SDG&E would receive payment from the counterparty based on the contracted energy price and in return pay to the CAISO the MRTU market clearing price. For IST purchases and sales, the payment to, or revenue from, the counterparty would be largely offset by the respective credit from, or payment

to, the CAISO. Because ISTs are used as a hedge against unknown MRTU prices, SDG&E does not include a forecast of net cost or benefit from these transactions.

CAISO RELATED COSTS

SDG&E forecasts CAISO grid management charges ("GMCs") that are allocated to load and resources, which include energy usage charges, energy transmission service charges, and reliability services costs. The forecast of these charges is based on historical data. SDG&E's forecast of these CAISO costs is expected to be [redacted] in 2012.

UTILITY RETAINED GENERATION (URG) HEDGING COSTS

SDG&E's resource portfolio has substantial exposure to gas price volatility as a result of fuel requirements for its gas-fired resources as well as the gas price-based pricing formula for its QF contracts. To manage this exposure, SDG&E expects to continue its hedging activity, and to book the resulting hedging costs and any realized gains and losses from hedge transactions to ERRA. The current estimate of hedging costs for 2012 is [redacted], calculated as the marked-to-market profit/loss of hedges already in place, plus expected broker fees. The profit/loss of these and future hedges placed will rise and fall with market prices. Therefore, the final cost or savings will not be known until the settlement process has been completed for the hedge transactions.

SDG&E may also trade short-term financial power products to hedge its long or short position against potentially volatile MRTU market clearing prices. Similar to ISTs described above, SDG&E does not include a forecast of net cost or benefit from these power hedges due to the unpredictability of market prices relative to the price of the hedges.

CONVERGENCE BIDS

SDG&E's primary use of convergence bids is to hedge certain operational risks in the day-to-day management of its portfolio. It is not possible to forecast the gains or losses associated with potential convergence bidding activity because of the unpredictable relationship between day-ahead and real-time prices. Therefore, SDG&E did not forecast an ERRA revenue/charge for convergence bids.

CONGESTION REVENUE RIGHTS

The CAISO day-ahead market establishes a market clearing price (which may include a congestion charge component) at each price node ("Pnode"). If congestion occurs where a generator is located, the market clearing price will be lower at that Pnode and the CAISO will consequently pay a lower price for energy delivered there. If congestion occurs where a load is located, the market clearing price will be higher at that Pnode and the CAISO will consequently charge a higher price for load served there.

Market participants, including SDG&E, were allocated Congestion Revenue Rights ("CRRs") for which they can nominate source and sink Pnodes to match those in their portfolio. If congestion arises between the source and sink Pnodes, the CAISO will pay the market participant holding the CRR the congestion charges to offset the congestion costs incurred. SDG&E expects its CRRs to generate revenues from the CAISO to offset congestion costs incurred within its portfolio. However, expected revenues were not forecast for the 2012 ERRA forecast because SDG&E assumed congestion-free clearing prices to develop forecasts for load requirement costs and generation revenues. A forecast of CRR revenues would have required SDG&E to forecast offsetting market-congestion prices at various Pnodes over the 2012 period, which would have introduced complexity and additional uncertainty into the forecast.

GREENHOUSE GAS COMPLIANCE COSTS

California's new Greenhouse Gas ("GHG") initiative, Assembly Bill ("AB"), further addressed in Rulemaking ("R.") 11-03-012, will be enacting the Cap-and-Trade Program that was expected to begin January 2012. In June 2011, the California Air Resource Board, ("CARB"), delayed the implementation of the Cap-and-Trade Program to 2013. Although the first compliance period no longer includes 2012, CARB has scheduled auctions in 2012 to procure allowances for future years. The Cap-and-Trade Program will require allowances for all carbon emissions resulting from SDG&E generation and tolling agreements. In accordance with the pending R.10-05-006, all costs associated with SDG&E's compliance with GHG requirements will be included and recovered in SDG&E's ERRA. Because CARB is still modifying the regulations and the

program has been delayed, SDG&E is unable to forecast GHG costs for 2012. However, should any such costs be incurred in 2012, SDG&E plans to record them in ERRA.

COST ALLOCATION MECHANISM

On May 19, 2011, SDG&E filed Application ("A.") 11-05-023 requesting approval to allocate specific costs in accordance with the Cost Allocation Mechanism ("CAM") authorized by the Commission[6], which at the time of this Application is pending approval at the Commission. Among other things, A.11-05-023 requested approval of the Wellhead Escondido Energy Center ("EEC") long-term contract, a potential CAM resource with an original Commercial Operation Date ("COD") during 2012. The contract's expected initial delivery date is dependent on the Commission approval date. If approval is granted in 2011, the contract would come online late 2012; otherwise COD is expected in 2013. In addition, in A.11-05-023, SDG&E requested that CAM resources be addressed as part of SDG&E's ERRA forecast proceedings. At this point, SDG&E is not forecasting any costs associated with CAM for 2012. However, should A.11-05-023 be approved and EEC become operational during 2012, these costs will be recorded in ERRA, consistent with the Commission's final decision in A.11-05-023.

This concludes my direct testimony.

[6] D.11-05-005 at 7.

IV. QUALIFICATIONS

My name is Andrew Scates. My business address is 8315 Century Park Court, San Diego, CA 92123. I am currently employed by SDG&E as a Market Operations Manager. My responsibilities include overseeing a staff of schedulers involved in dispatching the SDG&E bundled load portfolio of supply assets for the benefit of retail electric customers. This includes operational administration of CDWR contracts, transacting in the real-time wholesale market and managing scheduling activities in compliance with CAISO requirements. I assumed my current position in January 2011.

I previously managed the Electric Fuels Trading desks for SDG&E, primarily managing day ahead and forward procurement of natural gas. Prior to joining SDG&E in 2003, my experience included five years as an energy trader/scheduling manager.

I hold a Bachelors degree in Business Administration with an emphasis in Finance from California State University, Chico.

I have previously testified before the Commission.

Confidential/privileged pursuant to G.O. 66-C and PUC Code Sec. 583 and Sec. 454.5 (g) and D.06-06-066 as needed.

ATTACHMENT A - SDG&E 2012 ERRA EXPENSES

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2012
1	EXPENSES ($)													
2	Load ISO Charges (Energy & A/S Costs)													
3	Supply ISO Revenues (Energy & A/S Costs)													
4	Contract Costs (non-CTC)													
5	Contract Costs (CTC up to mkt)													
6	Generation Fuel													
7	CAISO Misc Costs													
8	Hedging Costs (inc. Broker Fees)													
9	Equity Re-balancing Costs													
10	**Total Balancing Account Expenses**	**$ 68,126,549**	**$ 61,998,781**	**$ 59,389,025**	**$ 57,428,886**	**$ 58,389,079**	**$ 64,525,621**	**$ 85,317,550**	**$ 90,055,132**	**$ 84,836,010**	**$ 81,779,839**	**$ 81,971,825**	**$ 82,336,059**	**$ 876,154,356**
	Line 4 Contract Costs (non-CTC)													
	Otay Mesa Energy Center PPA payment													
	Otay Mesa Energy Center Energy Costs													
	Lake Hodges													
	Celerity													
	Kelco													
	El Cajon Energy Center Peaker Costs													
	Orange Grove Peaker Costs													
	NRG Capacity Costs													
	NRG Energy Costs													
	Renewable Energy													
	Line 4 Total													
	Line 5 Contract Costs (CTC up to mkt))													
	Portland General Electric (Up To Market)													
	Qualifying Facilities (Up To Market)													
	Line 5 Total													
	Line 6 Generation Fuel													
	SONGS, Fuel													
	Nuclear Fuel Carrying Cost													
	Total SONGS	**$**												
	Paloma													
	Desert Star (El Dorado)													
	Miramar I													
	Miramar II													
	Calpeak El Cajon Purchase Option													
	Line 6 Total													

Confidential/privileged pursuant to G.O. 66-C and PUC Code Sec. 583 and Sec. 454.5 (g) and D.06-06-066 as needed.

ATTACHMENT B - SDG&E 2012 URG DELIVERY VOLUMES

URG Deliveries (GWh)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2012
SONGS 2	[redacted]												[redacted]
SONGS 3													
TOTAL SONGS													
PGE (Boardman)	[redacted]												[redacted]
CTC QF	[redacted]												[redacted]
Non-CTC QF													
TOTAL QF													
Renewable - Bio Gas	16	15	16	16	16	15	19	19	18	16	16	16	197
Renewable - Bio Mass	40	36	40	37	40	39	44	45	43	39	38	39	481
Renewable - Geothermal	18	17	18	17	18	17	19	19	18	18	17	18	212
Renewable - Other	1	2	1	1	1	1	3	3	3	1	2	1	20
Renewable - Solar Thermal	-	-	-	-	-	-	-	-	-	4	4	4	12
Renewable - Wind	46	47	66	70	65	64	50	50	86	94	78	74	789
Renewable - Wind REC	98	91	91	90	88	84	71	66	74	85	158	168	1,163
TOTAL NON-QF RENEWABLE	219	207	231	232	228	220	204	201	242	257	313	320	2,875
Miramar I	[redacted]												[redacted]
Miramar II													
Calpeak El Cajon Purchase Option													
Palomar													
Otay Mesa Energy Center													
Desert Star (El Dorado)													
Celerity													
Kelco													
Lake Hodges													
El Cajon Energy Center													
Orange Grove													
TOTAL GENERATION													
Economic RNS - On Peak	[redacted]												[redacted]
Economic RNS - Off Peak													
TOTAL Market Purchase													
TOTAL URG DELIVERIES	[redacted]												[redacted]
Surplus Energy Sold	[redacted]												[redacted]
LOAD REQUIREMENT (GWh)	[redacted]												[redacted]

Note 1: Total URG deliveries do not include Wind REC
Note 2: Load Requirement is SDG&E bundled load including load served by CDWR contract energy and transmission losses.

Confidential/privileged pursuant to G.O. 66-C and PUC Code Sec. 583 and Sec. 454.5 (g) and D.06-06-066 as needed.

ATTACHMENT C - SDG&E 2012 LONG-TERM POWER PURCHASE, CTC & QUALIFYING FACILITY DETAIl

URG Deliveries (GWh)	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**2012**
Long Term Power Purchase CTC-GWh													
PGE Boardman													
SRAC Priced CTC QF													
Goal Line QF													
Naval Station QF													
North Island QF													
Navy Training Center QF													
Yuma Cogeneration Associates QF													
Otay Landfill 2	1.0	0.9	1.0	1.0	1.0	0.9	1.2	1.2	1.2	1.0	1.0	1.0	12.4
Navy Training Center QF - Steam Turbine													
Aggregation of Hydro Units (SO1)	0.9	0.5	0.9	0.7	0.9	0.7	1.5	1.8	1.5	0.9	0.5	0.9	11.8
Badger Filteration Plant	0.2	0.1	0.2	0.1	0.2	0.1	0.3	0.4	0.3	0.2	0.1	0.2	2.2
Subtotal													
ERRA Expenses (K$)													
Long Term Power Purchase CTC (to Line 5 of Attachment A)													
CTC QF (to Line 5 of Attachment A)													
Non CTC QF (to Line 4, see Attachment D)													
TCBA Expenses (K$)													
Long Term Power Purchase CTC													
CTC QF													
Total TCBA Expense	$ 3,600	$ 3,564	$ 3,674	$ 3,482	$ 8,003	$ 7,870	$ 7,485	$ 7,573	$ 7,450	$ 4,071	$ 4,075	$ 4,525	$ 65,373

ATTACHMENT D - SDG&E 2012 RENEWABLE RESOURCE DETAIL

URG Deliveries (GWh)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2012
BIO GAS													
GRS Sycamore Landfill Plant	1.6	1.4	1.6	1.5	1.6	1.5	1.7	1.6	1.6	1.6	1.5	1.6	18.7
San Marcos Landfill	1.0	0.8	1.0	0.9	1.0	0.9	1.0	1.0	1.0	1.0	0.9	1.0	11.4
Sycamore Landfill	0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	0.9	0.9	0.9	11.4
MM Prima Deshecha Energy LLC	3.8	3.8	3.8	3.8	3.8	3.8	4.5	4.5	4.3	3.8	3.8	3.8	47.4
MM San Diego LLC - Miramar Landfill	2.2	2.1	2.2	2.1	2.2	2.1	2.2	2.2	2.2	2.2	2.1	2.2	26.0
MM San Diego LLC - North City Bio Plant	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.6	0.6	7.3
Otay Landfill 1	1.0	0.9	1.0	1.0	1.0	1.0	1.2	1.3	1.2	1.0	0.9	1.0	12.2
San Diego MWD	1.8	1.3	1.9	1.5	1.9	1.5	2.6	2.5	2.3	1.7	1.5	1.8	22.3
GRS Coyote Canyon	3.3	3.3	3.3	3.3	3.3	3.2	3.8	3.8	3.7	3.3	3.5	3.2	40.8
Subtotal	16.1	15.0	16.2	15.6	16.2	15.4	18.7	18.6	17.9	16.0	15.7	16.1	197.5
BIO MASS													
Covanta Delano	30.4	27.2	30.1	28.4	30.6	29.4	33.8	34.7	33.5	29.6	29.5	29.9	367.0
Blue Lake	7.5	6.8	7.5	7.2	7.4	7.3	8.2	8.2	7.9	7.5	7.1	7.5	90.1
Covanta Otay	2.0	1.8	2.1	1.9	2.1	1.9	2.2	2.2	2.0	2.1	1.9	2.0	24.1
Subtotal	39.9	35.9	39.7	37.5	40.1	38.6	44.1	45.0	43.5	39.1	38.4	39.4	481.2
GEOTHERMAL													
Calpine Geysers	17.8	16.6	17.6	17.2	17.8	17.0	18.6	18.6	18.0	17.8	17.2	17.6	211.8
Subtotal	17.8	16.6	17.6	17.2	17.8	17.0	18.6	18.6	18.0	17.8	17.2	17.6	211.8
OTHER													
Rancho Penasquitos	1.3	1.6	1.2	1.5	1.3	1.5	2.6	2.6	2.6	1.3	1.5	1.3	20.2
Subtotal	1.3	1.6	1.2	1.5	1.3	1.5	2.6	2.6	2.6	1.3	1.5	1.3	20.2
SOLAR													
NRG Borrego Solar	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.5	3.9	3.8	12.3
Subtotal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.5	3.9	3.8	12.3
WIND													
Glacier Wind (TREC)	65.1	57.6	57.5	56.8	54.8	50.6	37.7	32.6	40.8	51.8	61.3	68.4	635.0
RimRock (TREC)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	64.0	66.8	130.8
Proposed Portfolio deals (TREC)	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9	250.5
Generic TREC (under negotiation)	12.3	12.3	12.3	12.3	12.3	12.3	12.3	12.3	12.3	12.3	12.3	12.3	147.0
Generic Wind contracts (under negotiation)	12.0	12.4	12.3	12.8	8.7	7.7	5.1	5.2	8.3	12.1	10.1	8.9	115.6
Coram Energy	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	20.3
Pacific Wind	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	31.1	32.1	31.1	32.1	127.3
Kumeyaay	14.2	14.8	14.7	15.2	10.4	9.2	6.0	6.2	9.9	14.4	12.1	10.6	137.6
Alta Mesa	0.0	0.0	12.5	14.8	16.4	17.0	12.2	12.0	12.0	10.6	5.2	3.5	116.1
Oasis Power Partners	13.8	12.9	13.8	13.3	13.8	13.3	13.8	13.8	13.3	13.8	13.3	13.8	162.4
PPM Energy	3.3	4.1	8.4	10.0	11.1	11.5	8.3	8.1	8.1	7.1	3.5	2.4	85.8
WTE Monecito	0.9	1.1	2.7	2.5	3.0	3.2	2.5	2.4	2.1	1.9	0.8	0.6	23.7
Subtotal	144.1	137.6	156.6	160.1	153.0	147.2	120.4	116.2	160.3	178.4	236.2	241.9	1952.1

Total Power Purchase Costs (K$)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2012
BIO GAS	$ 870	$ 796	$ 877	$ 832	$ 872	$ 825	$ 1,025	$ 1,024	$ 983	$ 863	$ 839	$ 866	$ 10,673
BIO MASS	$ 3,089	$ 2,777	$ 3,070	$ 2,903	$ 3,101	$ 2,986	$ 3,414	$ 3,483	$ 3,363	$ 3,026	$ 2,974	$ 3,052	$ 37,239
GEOTHERMAL	$ 2,026	$ 1,892	$ 2,006	$ 1,961	$ 2,029	$ 1,938	$ 2,120	$ 2,120	$ 2,052	$ 2,029	$ 1,961	$ 2,004	$ 24,140
OTHER	$ 96	$ 116	$ 85	$ 109	$ 94	$ 107	$ 192	$ 189	$ 192	$ 97	$ 112	$ 96	$ 1,486
SOLAR	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 661	$ 577	$ 565	$ 1,803
WIND	$ 2,793	$ 2,851	$ 4,611	$ 4,975	$ 4,686	$ 4,608	$ 3,511	$ 3,621	$ 7,483	$ 7,955	$ 6,685	$ 6,402	$ 60,181
WIND (REC)	$ 3,835	$ 3,646	$ 3,642	$ 3,625	$ 3,575	$ 3,466	$ 3,140	$ 3,010	$ 3,218	$ 3,498	$ 6,608	$ 6,911	$ 48,174
Subtotal	$ 12,709	$ 12,078	$ 14,291	$ 14,405	$ 14,356	$ 13,930	$ 13,404	$ 13,447	$ 17,291	$ 18,128	$ 19,758	$ 19,896	$ 183,695

BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION OF ANDREW SCATES

A.11-09-XXX
Application of San Diego Gas & Electric Company (U 902 E)
For Adoption of its 2012 Energy Resource Recovery Account (ERRA) Revenue Requirement and Competitive Transition Charge Revenue Requirement Forecasts

I, Andrew Scates, declare as follows:

1. I am the Market Operations Manager for San Diego Gas & Electric Company ("SDG&E"). I included my Prepared Direct Testimony ("Testimony") in support of SDG&E's September 30, 2011 Application for Adoption of its 2012 Energy Resource Recovery Account ("ERRA") and Competitive Transition Charge ("CTC") revenue requirement forecasts. Additionally, as the Market Operations Manager, I am thoroughly familiar with the facts and representations in this declaration, and if called upon to testify I could and would testify to the following based upon personal knowledge.

2. I am providing this Declaration to demonstrate that the confidential information ("Protected Information") in support of the referenced Application falls within the scope of data provided confidential treatment in the IOU Matrix ("Matrix") attached to the Commission's Decision ("D.") 06-06-066 (the Phase I Confidentiality decision). Pursuant to the procedure adopted in D.08-04-023, I am addressing each of the following five features of Ordering Paragraph 2 of D.06-06-066:

- that the material constitutes a particular type of data listed in the Matrix;
- the category or categories in the Matrix the data correspond to;
- that SDG&E is complying with the limitations on confidentiality specified in the Matrix for that type of data;
- that the information is not already public; and

- that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.

3. The Protected Information contained in my Testimony constitutes material, market sensitive, electric procurement-related information that is within the scope of Section 454.5(g) of the Public Utilities Code.[1] As such, the Protected Information is allowed confidential treatment in accordance with the Matrix, as follows:

Confidential Information	**Matrix Reference**	**Reason for Confidentiality and Timing**
AS-3 lines 10-12	V.C	LSE Total Energy Forecast – Bundled Customer; confidential for the front three years
AS-3 lines 20-21	IV.A	Forecast of IOU Generation Resources; confidential for three years
AS-4 lines 1-2	IV.E	Forecast of Pre-1/1/2003 Bilateral Contracts; confidential for three years
AS-4 lines 23-24	IV.B	Forecast of Qualifying Facility Generation; confidential for three years
AS-6 lines 16-20	IV.A	Forecast of IOU Generation Resources; confidential for three years
AS-7 lines 4-10	IV.F	Forecast of Post-1/1/2003 Bilateral Contracts; confidential for three years
AS-7 lines 13-15	IV.F	Forecast of Post-1/1/2003 Bilateral Contracts; confidential until January 1, 2013
AS-7 line 30	IV.J	Forecast of Wholesale Market Purchases; confidential for the front three years
AS-8 lines 5-7, 9-11	V.G	Total Energy Load Forecast; confidential for the front three years
AS-9 lines 11, 17, 26 AS-10 line 1	II.B.1	Generation Cost Forecast of Utility Retained Generation; confidential for three years
AS-10 lines 10, 13-14	II.B.4	Generation Cost Forecast of Non-QF Bilateral Contracts; confidential for three years
AS-10 line 26	II.B.3	Generation Cost Forecast of QF Contracts; confidential for three years
AS-11 lines 18, 20-21 AS-12 lines 8, 16	II.B.4	Generation Cost Forecast of Non-QF Bilateral Contracts; confidential for three years
Attachment A - SDG&E 2012 ERRA Expenses	XI	Monthly Procurement Costs; confidential for three years
Attachment B - SDG&E 2012 URG Delivery Volumes • SONGS, Palomar, Desert	IV.A	Forecast of IOU Generation Resources;

[1] In addition to the details addressed herein, SDG&E believes that the information being furnished in my Testimony is governed by Public Utilities Code Section 583 and General Order 66-C. Accordingly, SDG&E seeks confidential treatment of this data under those provisions, as applicable.

Star, and Miramar data		confidential for three years
• PGE-Boardman data	IV.E	Forecast of Pre-1/1/2003 Bilateral Contracts; confidential for three years
• QF data	IV.B	Forecast of Qualifying Facility Generation; confidential for three years
• Otay Mesa, Celerity, Kelco, Lake Hodges, Wellhead, and Orange Grove data	IV.F	Forecast of Post-1/1/2003 Bilateral Contracts; confidential for three years
• Market Purchase data	IV.J	Forecast of Wholesale Market Purchases; confidential for the front three years
• Surplus Energy Sold data	IV.K	Forecast of Wholesale Market Sales; confidential for the front three years
• Load Requirement data	V.C	LSE Total Energy Forecast – Bundled Customer; confidential for the front three years
Attachment C - SDG&E 2012 Long-Term Power Purchase, CTC and Qualifying Facility Detail		
• PGE-Boardman data	IV.E	Forecast of Pre-1/1/2003 Bilateral Contracts; confidential for three years
• QF data	IV.B	Forecast of Qualifying Facility Generation; confidential for three years
• Long-Term Power Purchase CTC data	II.B.4	Generation Cost Forecast of Non-QF Bilateral Contracts; confidential for three years
• CTC QF & Non CTC QF data	II.B.3	Generation Cost Forecast of QF Contracts; confidential for three years
• TCBA Expenses data	II.B.3 and II.B.4	Generation Cost Forecast of QF Contracts; confidential for three years Generation Cost Forecast of Non-QF Bilateral Contracts; confidential for three years

4. I am not aware of any instances where the Protected Information has been disclosed to the public. To my knowledge, no party, including SDG&E, has publicly revealed any of the Protected Information.

5. SDG&E will comply with the limitations on confidentiality specified in the Matrix for the Protected Information.

6. The Protected Information cannot be provided in a form that is aggregated, partially redacted, or summarized, masked or otherwise protected in a manner that would allow further disclosure of the data while still protecting confidential information.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 29th day of September, 2011, at San Diego, California.

Andrew Scates
Market Operations Manager
San Diego Gas & Electric Company