

PUBLIC VERSION

Application No.: 15-06-_____

Exhibit No.: _____

Witness: Ana Garza-Beutz

Date: June 1, 2015

**SAN DIEGO GAS & ELECTRIC COMPANY
PREPARED DIRECT TESTIMONY OF
ANA GARZA-BEUTZ**

****REDACTED AND PUBLIC VERSION****

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

June 1, 2015



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PREPARED DIRECT TESTIMONY OF

ANA GARZA-BEUTZ ON BEHALF OF SDG&E

I. INTRODUCTION

This testimony presents San Diego Gas & Electric Company’s (“SDG&E”) procurement of Greenhouse Gas (“GHG”) compliance instruments during the record period of January 1, 2014 through December 31, 2014 for compliance with California’s Cap-and-Trade Program. The following sections describe the Cap-and-Trade Program and demonstrate that SDG&E procured compliance instruments during the record period in a manner consistent with Track III of the Long-Term Procurement Plan (“LTPP”) Decision (“D.”) 12-04-046, and the related California Public Utilities Commission (“Commission”)-approved SDG&E 2012 LTPP, implemented by SDG&E Advice Letter (“AL”) 2554-E.¹ SDG&E is requesting that the Commission find that SDG&E’s 2014 GHG product procurement is in compliance with both D.12-04-046 and SDG&E’s LTPP.

II. DEVELOPMENT OF CALIFORNIA’S CAP-AND-TRADE PROGRAM

In 2006, Governor Arnold Schwarzenegger signed Assembly Bill (“AB”) 32 into law. The bill requires California to lower GHG emissions to 1990 levels by 2020. To achieve AB 32’s goals, the California Air Resource’s Board (“CARB”) created a scoping plan that included multiple comprehensive actions. One such action was creating California’s Cap-and-Trade Program, intended to establish a market-based price for GHG emissions and ultimately provide market signals to promote investment in Energy Efficiency (“EE”) activities and encourage the use of low emitting electric generation to reduce GHG emissions. While the Cap-and-Trade

¹ Greenhouse Gas product procurement is addressed in D.12-04-046 at 40-59, Findings of Fact 12, 13; Conclusions of Law 8, 9, and Ordering Paragraphs 8-10. SDG&E’s Long-Term Procurement Plan, AL 2554-E, Appendix F, addresses SDG&E’s Commission-approved plan of GHG product procurement.

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1 program was expected to begin in January 2012, CARB delayed the implementation of the
2 Program to 2013 with the first auction of GHG compliance instruments held in November 2012.
3 The Cap-and-Trade Program covers compliance years 2013 to 2020. The compliance years are
4 divided into three separate compliance periods: Compliance Period 1 covers years 2013-2014;
5 Compliance Period 2 covers years 2015-2017; and Compliance Period 3 covers years 2018-2020.

6 CARB has set declining GHG Emissions Caps for each year of the program to provide a
7 trajectory to achieve the State's 2020 GHG emissions goals. An Emission Cap equals the
8 amount of California GHG allowances issued by CARB for that particular vintage year. The
9 program was designed so that allowances of a particular vintage year can be banked for use in
10 future years. Future vintages, however, cannot be used to satisfy an obligation for a prior year.

11 Compliance instruments consist of GHG allowances and CARB-verified offsets, the
12 latter of which is a verified reduction of GHG emissions from sectors outside the Cap-and-Trade
13 Program. While one offset is equivalent to one allowance and can be used for compliance, their
14 use is limited. No more than 8% of a compliance period obligation can be fulfilled with offsets.

15 A. Covered Entities

16 Emitters covered under the Cap-and-Trade Program must procure one Compliance
17 Instrument for every metric ton ("MT") of carbon dioxide equivalent ("CO₂e") that they emit.
18 Only entities that exceed emissions thresholds and are in sectors covered by the program are
19 subject to compliance. Entities subject to compliance are called Covered Entities.² Electric
20 generation that exceeds 25,000 MTs of emissions in a calendar year and electric imports are
21 covered entities for the entire duration of the program. As such, SDG&E must purchase
22 Compliance Instruments for imported power and for its Utility-Owned Generation ("UOG")

² See section 95811 of the Cap-and-Trade Regulation for further details on Covered Entities and Thresholds.

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1 plants. Imported power includes generic out-of-state market purchases as well as specified
2 power such as electricity generated from the SDG&E-owned Desert Star Energy Center and
3 from SDG&E contracted generators Yuma Cogeneration Association (“YCA”) and Portland
4 General Electric Boardman (“Boardman”). At the time of the updated LTPP forecast, SDG&E
5 had three California UOG plants that were Covered Entities in the program: Palomar Energy
6 Center, Miramar Energy Facility and Cuyamaca Peak Energy Plant. In addition, as a result of
7 contractual agreements with its Purchased Power Agreements (“PPAs”), SDG&E has
8 procurement obligations for various tolling agreements. For compliance years 2013 – 2017,
9 SDG&E forecasted in its LTPP that it would have compliance obligations for the following
10 tolling agreements: Otay Mesa Energy Center (“OMEC”), Pio Pico Energy Center, Orange
11 Grove Energy and Jasmin.³

B. LTPP Approved Procurement Methods

12 The Commission recognized the utilities’ need to procure compliance instruments in
13 order to fulfill requirements with California’s Cap-and-Trade Program. As a result, the
14 Commission granted procurement authority of GHG compliance instruments along with
15 limitations on procurement methodologies, vintages and volumetric limits in D.12-04-046 and
16 SDG&E’s LTPP. In accordance with SDG&E’s LTPP, SDG&E is authorized to procure seller-
17 guaranteed offsets through a Request for Offering (“RFO”) as well as allowance futures via
18 approved exchanges and allowances from CARB-run quarterly auctions and Price Containment
19

³ From Sheet F-11 of SDG&E’s Long Term Procurement Plan, AL 2554-E / D. 12-04-046. SDG&E notes that while the Forecast on sheet F-11 and the Limit Forecast on sheet F-15, filed in December 2013, included Jasmin, on December 31, 2013 the Jasmin PPA terminated on its own terms due to failure to post development security. On April 22, 2014, SDG&E withdrew its request for approval of Jasmin by withdrawing Advice Letters 2501-E and 2501-E-A.

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1 Reserve Sales. For the 2014 procurement period, the LTPP has authorized purchases and sales
2 of Vintages 2013 – 2017. The LTPP Limit for the 2014 procurement period was [REDACTED].⁴

3 **III. 2014 GHG COMPLIANCE INSTRUMENT PROCUREMENT**

4 SDG&E seeks the Commission’s determination in this proceeding that SDG&E’s
5 procurement of GHG-related products during 2014 was in compliance with the Commission’s
6 approach on GHG procurement, as stated in the Track III Decision of the LTPP Proceeding,
7 D.12-04-046. In that Decision, the Commission issued a procurement limit regarding
8 Compliance Instruments that “provides the utilities broad latitude, particularly giving them the
9 opportunity to forward procure to the degree they believe compliance instrument prices are
10 favorable, or to postpone procurement to when they believe pricing will become more
11 favorable.”⁵

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED] Actual settlement prices for the 2014

17 Vintage 2014 and Vintage 2017 auctions ranged \$11.34 - \$12.10. SDG&E’s procurement
18 activity in 2014 is shown in the table below.

19 SDG&E purchased a total of [REDACTED] of Compliance Instruments in the 2014
20 procurement period, which was below SDG&E’s limit of [REDACTED]. SDG&E’s 2014
21 Quarterly Compliance Reports Attachment Q tables below show the specific transactions

⁴ From Sheets F-15 and F-16 of SDG&E’s 2012 Long Term Procurement Plan, AL 2554-E / D.12-04-046.

⁵ D.12-04-046 at 57.

⁶ From Sheets F-15 and F-16 of SDG&E’s Long Term Procurement Plan, AL 255-E / D.12-04-046.

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executed in 2014 and the individual costs associated with each transaction. SDG&E's total cost spent on GHG procurement in 2014 was [REDACTED].

QCR Attachment Q - GHG DEALS - Q1 2014

Deal Number	Initiation Date*	Transfer Date*	Counter Party	Purchase or Sale	Total Volume (MT)	Average Price (\$/MT)	Notional Value (\$)	Vintage	Product Type	Method of Transaction	Affiliate	Comments	Offset Project Type	Offset Location
[REDACTED]														

QCR Attachment Q - GHG DEALS - Q2 2014

Deal Number	Initiation Date*	Transfer Date*	Counter Party	Purchase or Sale	Total Volume (MT)	Average Price (\$/MT)	Notional Value (\$)	Vintage	Product Type	Method of Transaction	Affiliate	Comments	Offset Project Type	Offset Location
[REDACTED]														

QCR Attachment Q - GHG DEALS - Q3 2014

Deal Number	Initiation Date*	Transfer Date*	Counter Party	Purchase or Sale	Total Volume (MT)	Average Price (\$/MT)	Notional Value (\$)	Vintage	Product Type	Method of Transaction	Affiliate	Comments	Offset Project Type	Offset Location
[REDACTED]														

QCR Attachment Q - GHG DEALS - Q4 2014

Deal Number	Initiation Date*	Transfer Date*	Counter Party	Purchase or Sale	Total Volume (MT)	Average Price (\$/MT)	Notional Value (\$)	Vintage	Product Type	Method of Transaction	Affiliate	Comments	Offset Project Type	Offset Location
[REDACTED]														

IV. CONCLUSION

SDG&E's procurement activity was consistent with the approach prescribed by the Commission in D.12-04-046 and SDG&E's LTPP in Advice Letter 2554-E, discussed above, for procuring GHG compliance instruments. Therefore, SDG&E requests that the Commission find that SDG&E complied with D.12-04-046 and Commission-approved AL 2554-E for procurement of GHG-related compliance instruments based on the testimony provided herein for the record period January 1, 2014 through December 31, 2014.

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V. QUALIFICATIONS OF ANA GARZA-BEUTZ

My name is Ana Garza-Beutz. My business address is 8315 Century Park Court, San Diego, CA 92123. I am employed by SDG&E. My current title is Senior Energy Administrator in the Electric & Fuel Procurement Department of SDG&E. My responsibilities include managing SDG&E's GHG portfolio, which includes development of Greenhouse Gas procurement and hedging strategies.

I joined SDG&E in November 2003, and have held various positions with increasing levels of responsibility within the Electric & Fuels Procurement Department. Prior to joining SDG&E, I worked as a Risk Analyst with Sempra Energy.

I received a Bachelor of Arts degree in Mathematics from the California Polytechnic State University San Luis Obispo and a Master of Arts in Mathematics from the University of California Santa Barbara.

I have previously testified before the Commission on GHG issues.

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

**DECLARATION OF ANA GARZA-BEUTZ
REGARDING CONFIDENTIALITY OF CERTAIN DATA**

A.15-06-XXX

Application of San Diego Gas & Electric Company (U 902-E)
for Approval of Its 2014 Electric Procurement Revenue Requirement Compliance.

I, Ana Garza-Beutz, declare as follows:

1. I am a Senior Energy Administrator for San Diego Gas & Electric Company (“SDG&E”). I included my Prepared Direct Testimony (“Testimony”) in support of SDG&E’s June 1, 2015 Application for SDG&E’s 2014 ERRR Compliance (“Application”). I am 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, except for those matters expressly stated to be based on information provided to me, and as to those matters, I believe them to be true.

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 data described in the table below is market sensitive information designated as confidential under the Matrix of Allowed Confidential Treatment of Investor Owned Utility Data, adopted as Appendix 1 to D.06-06-066 (the Matrix), and is entitled to confidential treatment under Public Utilities Code section 454.5(g), D.06-06-066 and D.08-04-023:

Table 1

Information Protected from Disclosure Under the Matrix

Confidential Information	Matrix Category	Matrix Category Description
Page 4, lines 2 and 20 (SDG&E's 2014 volumetric limit)	I.A.4	Natural Gas Information: Forecasts (gas): Long-term fuel (gas) buying and hedging plans; confidential for three years
Page 4, lines 12 - 16 (SDG&E's 2014 procurement strategy)	I.A.4	Natural Gas Information: Forecasts (gas): Long-term fuel (gas) buying and hedging plans; confidential for three years
Page 4, line 19 (SDG&E's 2014 Direct volumetric GHG procurement)	I.A.4	Natural Gas Information: Forecasts (gas): Long-term fuel (gas) buying and hedging plans; confidential for three years
Page 5, line 2 and tables on lines 3-6 (SDG&E's 2014 Direct GHG procurement: volumes, prices and costs)	I.A.4	Natural Gas Information: Forecasts (gas): Long-term fuel (gas) buying and hedging plans; confidential for three years

4. The data described in the table below does not expressly fall within any category of the Matrix, is market sensitive information analogous to Procurement Costs, Category XI in the Matrix, and is entitled to confidential treatment under D.06-06-066, D.08-04-023, Public Utilities Code section 454.5(g), General Order 66-C, 17CCR § 95914(c) (the “ARB Confidentiality Regulations”) and D.14-10-033. Among other things, the ARB Confidentiality Regulation requires bidding strategies to be confidential. Since SDG&E’s historical auction awards and historical consignment strategies reveal SDG&E’s prior bidding/consignment strategies, prior auction results are required to be kept confidential. In addition, D.14-10-033 requires forecasts of emissions intensity, forecasts of GHG costs, compliance instrument prices and weight average cost (“WAC”) to be kept confidential:

Table 2

**Information Protected from Disclosure Under Other Relevant Statutes, Decisions,
Regulations or Other Provisions of Law**

Confidential Information	Legal Basis for Confidential Protection	Facts Showing consequence of Release
Page 5, line 2 and tables on lines 3-6 (SDG&E's 2014 Direct GHG procurement: volumes, prices and costs)	Attachment A of D.14-10-033	Attachment A footnote 67 indicates that annual direct costs are confidential.

5. I am not aware of any instances where the confidential information described in my testimony was disclosed to the public.

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

7. 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 1st day of June, 2015, at San Diego, California.



Ana Garza-Beutz
Senior Energy Administrator
San Diego Gas & Electric Company