

Application No: A. 08-06-002

Exhibit No.: \_\_\_\_\_

Witness: Kathryn E. Smith

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In the Matter of the Amended Application of San )  
Diego Gas & Electric Company (U 902 M) for )  
Approval of Demand Response Programs and )  
Budgets for Years 2009 through 2011. )  
And Related Matters )  
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Application 08-06-002

**REBUTTAL TESTIMONY  
OF KATHRYN E. SMITH  
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA  
DECEMBER 15, 2008

1 **REBUTTAL TESTIMONY**  
2 **OF KATHRYN E. SMITH**

3 **I. INTRODUCTION**

4 The purpose of this testimony is to address intervenor comments associated with  
5 load impact forecasts.

6 **II. THE LOAD IMPACT FORECAST FOR THE CAPACITY**  
7 **BIDDING PROGRAM (“CBP”) IS REASONABLE, IN FACT**  
8 **THE GROWTH PREDICTED FOR THE PROGRAM BETWEEN**  
9 **2007 AND 2009 HAS ALREADY BEEN ACHIEVED.**

10 Both Gokhale, a witness for DRA, and Schilberg, a witness for TURN, claim that  
11 the growth rate SDG&E predicts for the CBP program is unrealistic. Schilberg makes  
12 this claim on page 8 of her testimony and Gokhale makes his claim on page 22 of his  
13 testimony.

14 It is true that SDG&E predicted growth in CBP load impacts between 2007 and  
15 2009. The CBP achieved 8 MW of load reduction in August of 2007 according to Table  
16 9 of my direct testimony and the load impact forecast for 2009 from Table 1 of my direct  
17 testimony is 17.5 MW. There has been significant growth in the CBP after August of  
18 2007. Between August 2007 and October of 2008 2 new aggregators joined the program,  
19 and the number of accounts enrolled on the program increased from 131 to 354. Two  
20 CBP events were called in 2008 one in July and one in October. In the July event only  
21 the day-ahead portion of the CBP program was triggered and 13 MW of load reduction  
22 was achieved according to the settlement baseline. For the October 1<sup>st</sup> event only the  
23 day-of portion of the CBP program was activated and 8 MW of load reduction was  
24 achieved according to settlement baselines. Combining the results for both the day-ahead  
25 and the day-of portions of the CBP, the results of the CBP yield 21 MW of reduction  
26 which is higher than the 17.5 MW that was forecast for summer of 2009.

1 Both Gokhale and Schilberg express concern that number of accounts compared  
2 to the enrollment numbers for CBP have decreased between 2007 and 2008. This is a  
3 good sign for the program, not a bad sign, and part of TURN and DRA's apparent  
4 confusion may be a misunderstanding of how enrollment for CBP is calculated.

5 Enrollment numbers for CBP are based on the monthly nominations that  
6 aggregators submit. An aggregator must achieve 90% of the load reduction claimed in its  
7 nomination in order to receive a capacity payment so then aggregator thus has a strong  
8 incentive to submit an accurate number. Large numbers of customers enrolled compared  
9 to the monthly nomination mean that aggregators have spread their risk out over many  
10 customers and are less likely to fail to meet their monthly nomination because 1 large  
11 customer did not perform as expected. In addition, some CBP aggregators are  
12 successfully targeting customers with demands of less than 200 kw which increases the  
13 size of the target market for the program.

14 There is also obvious confusion about the definition of the word "enrollment" in  
15 the testimony of Schilberg on page 9 where she incorrectly claims that SDG&E needs to  
16 "enroll" 118 MW in CBP to achieve the predicted load reductions. In her calculations,  
17 shown in a footnote on page 9 of her testimony, Shilberg uses load reductions of 30% and  
18 7% presumably taken from Table 9 of my direct testimony. What Schilberg fails to  
19 account for in her calculation is that these factors represent the load reduction divided by  
20 the **total load**, not the load reduction divided by the enrollment. This error has the effect  
21 of drastically overestimating the enrollment required. She further exacerbates this error  
22 by incorrectly applying a 70% factor taken from an SDG&E data request response that is  
23 unrelated to the calculation she is attempting to make. All of the CBP enrollment

1 numbers presented in my direct testimony represents the load reduction nominated by the  
2 aggregators, not a total load. Comparing a load reduction to a total load is an apples to  
3 oranges comparison and leads to inappropriate and misleading results.

4 Of course the growth in the CBP between 2009 and 2011 has not yet occurred.  
5 However, this program is successful, the six aggregators participating in the program  
6 have the opportunity to sign up additional customers, new aggregators may join the  
7 program, and the fact that aggregators are successfully targeting smaller customer creates  
8 the reasonable expectation for a large target market for the program. SDG&E has  
9 proposed to cancel the Demand Bidding Program and PeakDay Program and some of  
10 these customers may choose to migrate to the CBP. Given these factors it is reasonable  
11 to predict that the CBP will continue to grow between 2009 and 2011 and that SDG&E's  
12 forecast growth rate is reasonable.

13 **III. THE MEASUREMENT AND EVALUATION BUDGET IS**  
14 **REASONABLE.**

15 The testimony of Nahigian at page 35 recommends that SDG&E receive only  
16 15% of the M&E budget requested. This recommendation is largely based on an  
17 incorrect claim made earlier in his testimony that: "...only \$0.478 million was spent on  
18 M&E for individual programs and the remaining \$1.2368 million was spent on the  
19 category of General Administration". The General Administration category for M&E in  
20 SDG&E's monthly reports includes spending for M&E studies for all individual demand  
21 response programs except the summer saver program. Since the General Administration  
22 category includes spending for M&E studies of individual demand response programs,  
23 Nahigian's claim that SDG&E's M&E money was not spent on M&E studies of  
24 individual programs is incorrect.

1 Nahigian also recommends on page 35 that if it can be demonstrated that the  
2 M&E of general administration is reasonable, then M&E funding for 2009-2011 should  
3 be capped at 40% of SDG&E's request. This recommendation is based on his claim  
4 earlier on the page that SDG&E only spent 43% of its M&E budget for 2006-2008 and  
5 that SDG&E requested approximately the same amount of M&E money for 2009-2011 as  
6 was requested for 2006-2008. Historical M&E spending for 2006-2008 is not an  
7 appropriate guide for future M&E spending for 2009-2011. The load impact protocol  
8 decision, D.08-04-050, requires that starting in 2008 M&E load impact studies are to be  
9 performed for every demand response activity for every year and it also requires that  
10 these studies follow the load impact protocols. The requirement to evaluate every  
11 program every year means that cost saving measures such as doing one study covering  
12 two years of program operation or not evaluating a program that has already had 4 years  
13 of prior measurement and evaluation cannot be employed. Additionally, the load impact  
14 protocol decision requires ex-ante as well as ex-post impacts to be produced in M&E  
15 reports. The M&E studies conducted in 2006 and 2007 contained only an ex-post  
16 estimate of the demand response and did not include an ex-ante forecast of future demand  
17 response. The ex-ante requirements will increase the costs of M&E studies. Another  
18 factor that will increase M&E costs is that SDG&E has two new large dynamic rates, the  
19 CPPD rate for commercial customers and the PTR rate for residential customers, which  
20 will need to be evaluated according to the load impact protocols. These two new rates  
21 will be applicable to almost all of SDG&E's customers and will require extensive  
22 measurement and evaluation. Under these circumstances, SDG&E's funding request for  
23 M&E activities is quite reasonable while TURN's recommended reduction is not.

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This concludes my Rebuttal Testimony.

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