

Application No: R.10-05-006

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

Witness: James R. Magill

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.

Rulemaking 10-05-006  
(Filed May 6, 2010)

**PREPARED DIRECT TESTIMONY**  
**OF JAMES R. MAGILL**  
**ON BEHALF OF**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

March 25, 2011



TABLE OF CONTENTS

I. INTRODUCTION ..... 1

II. REVISIONS TO SECTION II B – RISK MANAGEMENT  
POLICY AND STRATEGY..... 1

III. 10-YEAR VAR-TO EXPIRATION ..... 3

IV. WITNESS QUALIFICATIONS..... 6

ATTACHMENT 1

ATTACHMENT 2

1                                   **PREPARED DIRECT TESTIMONY OF**  
2   **JAMES R. MAGILL**  
3   **ON BEHALF OF SDG&E**

4 **I. INTRODUCTION**

5           The purpose of my testimony is to sponsor Section II.B and Appendix B of the draft 2012  
6 Long-Term Procurement Plan (“2012 LTPP”) of San Diego Gas & Electric (“SDG&E”)  
7 submitted in Track II of Rulemaking (“R.”) 10-05-006, and to present the results of the  
8 calculation of 10-year VaR-to-Expiration (“VtE”) values.

9 **II. REVISIONS TO SECTION II B – RISK MANAGEMENT POLICY AND STRATEGY**

10           As part of the 2012 LTPP, SDG&E has incorporated changes to portions of Section II.B,  
11 which are discussed in the testimony below. In modifying Section II.B, SDG&E has sought,  
12 where appropriate, to eliminate discussion that is no longer relevant, is duplicative or does not  
13 add any substantive information relative to SDG&E’s procurement strategies. In addition,  
14 SDG&E has reworded several sections of the 2012 LTPP in an effort to make it easier to read  
15 and comprehend. It should be noted that the 2012 LTPP does not propose any changes to  
16 SDG&E’s 5-year hedging strategy, including the hedge targets, risk management products or  
17 liquidity/collateral requirements. A summary of types of changes made to Section II.B and  
18 Appendix B are provided in the attached Table JRM-1 (See Attachment 1). In addition,  
19 Attachment 2 provides a road map of the changes to the organization, structure and numbering of  
20 the LTPP from the 2006 version to the 2012 version.

21           The most notable changes made to Section II.B of the LTPP are: (1) the transferring of  
22 the 5-year hedging strategy, hedge targets, liquidity and security requirements from the body of  
23 the document to Appendix B; (2) the inclusion of a discussion on electric hedging (in Appendix  
24 B); and (3) the elimination of the company’s Remaining Customer Risk Tolerance (“RCRT”)

1 risk metric. Moving the 5-year hedging strategy, hedge targets, liquidity and security  
2 requirements to Appendix B simplifies: (1) the ability to maintain the required confidentiality  
3 around this portion of the LTPP, thus improving readability of the main body; and (2) the ability  
4 to make changes and updates to the strategy, targets and liquidity requirements. It also better  
5 aligns SDG&E's LTPP format with the format employed by the other investor-owned utilities  
6 ("IOUs").

7 Historically, SDG&E has elected not to hedge electric positions on a long-term basis,  
8 since SDG&E's price exposure is primarily natural gas related. However, as a greater portion of  
9 its portfolio is hedged, using gas hedges, price exposure will shift to electric prices. Thus,  
10 SDG&E may also choose to hedge a portion of its price exposure through electric hedges as  
11 market changes dictate or as new or revised products are offered in the market. In addition,  
12 changes in the CAISO market have caused SDG&E to execute short term hedges for electric  
13 prices, which are primarily in the day ahead or intra-day markets. As a result, SDG&E has  
14 included in Appendix B a broader discussion of these electric hedging activities.

15 With regard to the RCRT, in Decision D.07-12-05, the Commission required SDG&E to  
16 use the Commission-mandated Rolling 12-Month risk metric as the primary metric for  
17 monitoring procurement costs and hedging activities.<sup>1</sup> SDG&E complied with the mandate,  
18 updating its LTPP to include the Rolling 12-Month risk metric as its primary customer risk  
19 tolerance ("CRT") metric, and began reporting the Rolling 12-Month metric to the Commission.  
20 At the time this update to the LTPP was filed, SDG&E had no experience using the Rolling 12-  
21 Month risk metric. Accordingly, SDG&E elected to retain the additional RCRT metric as part of  
22 its LTPP to provide SDG&E with another way to monitor the overall near-term impact of market  
23 price movements and adjust hedging activities for the current year. SDG&E has now had three

---

<sup>1</sup> D.07-12-052, *mimeo*, Ordering Paragraph 20, p.173.

1 years of experience using the Rolling 12-Month risk metric and, based on its experience, believes  
2 that this metric provides adequate signals for managing market price impacts on overall rates.  
3 Therefore, there is no longer a need to include the RCRT in the LTPP. Furthermore, SDG&E  
4 will consult with its PRG at least quarterly, or more frequently as required, to review the amount  
5 of hedges it adds over time.

### 6 **III. 10-YEAR VAR-TO EXPIRATION<sup>2</sup>**

7 The Commission, as part of the required metrics for bundled utility long-term  
8 procurement plans, requires that VtE calculations be provided as part of the risk assessment:  
9 “IOUs shall also measure and report on portfolio risk using a formal metric such as Time-to-  
10 Expiration Value at Risk (TeVAr) for each portfolio.”<sup>3</sup> This risk metric is intended to measure  
11 the sensitivity of a portfolio’s exposures to changes in key cost variables such as natural gas  
12 prices.

13 SDG&E uses VtE as an approximation of TeVaR (Terminal VaR) for calculating longer-  
14 term risk. TeVaR accounts for the increasing potential distribution of prices as time passes, as  
15 well as the expiration of the positions in the portfolio with the passage of time. The result is the  
16 estimation of loss, at the specified confidence level, assuming that the portfolio remains constant  
17 over time until all positions within it have expired.

18 In accordance with the Commission’s direction, SDG&E has calculated a 10-year VtE  
19 value for the bundled procurement plan provided by SDG&E witness Anderson. Based on the  
20 procurement portfolio, the 10-year VtE value is \$2.24 Billion. This value represents the  
21 cumulative risk associated with the net open portfolio positions for both power and natural gas  
22 over the 10 year planning horizon.

---

<sup>2</sup> SDG&E uses the term VtE synonymously with TeVaR (Terminal VaR).

<sup>3</sup> *Assigned Commissioner’s and Administrative Law Judge’s Scoping Memo for Track II Bundled Procurement Plans*, issued January 13, 2011 in the above-captioned docket, Appendix B, p. 3.

1 In developing the VtE value, SDG&E utilized a publicly available Excel-based model  
2 using a vendor software solution (Financial Engineering Associate's VaRworks) for calculation  
3 of VtE. The VaRworks software uses dynamic portfolio valuation. It takes as inputs market  
4 information, commodity forward curves, forward volatility curves, intra-commodity correlation,  
5 inter-commodity correlation, position information and position volume. This market information  
6 is used to create price simulations that have the appropriate joint distributions. SDG&E currently  
7 utilizes the Analytic VtE as the official metric for reporting purposes and portfolio management.  
8 To implement VtE with FEA, the only change necessary to convert from one- or ten-day<sup>4</sup> VaR is  
9 to set the time horizon equal to the duration of the portfolio.

10 As previously noted by SDG&E in comments filed in this proceeding,<sup>5</sup> while SDG&E  
11 realizes the importance of using a standard statistical metric for evaluating different portfolio  
12 alternatives, the use of VtE does not provide a holistic view of the overall risk associated with  
13 the defined bundled procurement portfolio. VtE models assume that current market fundamental  
14 assumptions will continue into the future and over the entire time horizon (*i.e.* ten years). As a  
15 result, these models do not capture changing conditions observed in the market place such as: (1)  
16 structural changes in the market related to significant supply and demand changes; and (2) the  
17 introduction of new markets (*e.g.* RECs, GHG) and thus, are not particularly suitable for  
18 measuring portfolio risk over a long time horizon (*i.e.* ten years). In addition, the calculated VtE  
19 values would not reflect the risk mitigation impacts associated with hedging activities as the  
20 metric is being calculated on an unhedged portfolio. As outlined in SDG&E's LTPP, the  
21 procurement portfolio is hedged to ensure that the VtE does not exceed the Commission  
22 approved CRT level. Consequently, when comparing alternative resource plans, risks that would

---

<sup>4</sup> For many risk management purposes, VaR is calculated over a one-day time horizon using a 95% confidence level.

<sup>5</sup> SDG&E's Post Workshop Comments filed June 21, 2010, pp. 12-13.

1 | be mitigated (*e.g.* natural gas price changes) are evaluated alongside risks the company cannot  
2 | currently mitigate (*e.g.* GHG allowance prices). Therefore, different VtE values under  
3 | alternative assumptions don't necessarily mean one portfolio is more or less risky than another  
4 | when calculated over a long, uncertain time horizon.

5

1 **IV. WITNESS QUALIFICATIONS**

2 My name is James R. Magill. My business address is 8315 Century Park Court, San  
3 Diego, CA 92123.

4 I am currently employed by San Diego Gas & Electric Company (SDG&E). My current  
5 title is Manager of Energy Risk in the Electric and Fuel Procurement Department. My  
6 responsibilities include indentifying, managing, monitoring and reporting on procurement risk.  
7 This includes trader authority limits, portfolio valuation and reporting based on Commission  
8 established risk metrics, credit risk and operational risk.

9 I have held various positions of increasing responsibility at SDG&E in the areas of load  
10 analysis and forecasting, market analysis and planning, and rates and regulatory analysis. Prior  
11 to SDG&E, I was employed by Potomac Electric Power Company as Senior Strategy Analyst  
12 and Duke Power Company as a Senior Rate Analyst.

13 I received a Bachelor's degree in Economics from Bucknell University and a Master of  
14 Business Administration from the University of North Carolina at Charlotte.

15 I have previously testified before the Commission.

16 This concludes my prepared testimony.



**ATTACHMENT 1**

**Table JRM-1**

<b>Section</b>	<b>Section Heading</b>	<b>Description</b>
<b>Section II.B. – Risk Management Policy and Strategy</b>	<b>Current Risk Management Practices – SDG&amp;E’s Hedge Plan</b>	This section has been revised to improve flow and readability.
	<b>5- Year Short-term Procurement Plan and Hedging Strategy Overview</b>	This section was combined with the section titled Current Risk Management Practices – SDG&E’s Hedge Plan, Section II.B.1.
	<b>First Rolling 12 Months and Year 1</b>	This section has been revised to improve flow and readability (no changes to hedge targets) and moved to Appendix B, Section B. The Remaining CRT risk metric was deleted (pages 58, 58A, and 59).
	<b>Year 2</b>	This section has been revised to improve flow and readability (no changes to hedge targets) and moved to Appendix B, Section B.
	<b>Intermediate Term – For Years 3 through 5 of the Rolling 5 Year Plan</b>	This section has been revised to improve flow and readability (no changes to hedge targets) and moved to Appendix B, Section B.
	<b>Long-term (Years 6 Through 10)</b>	This section was moved to Appendix B, Section B.
	<b>Portfolio Risk Assessment</b>	This section has been revised to improve flow and readability and moved to Section II.B.2.
	<b>Risk Management Products</b>	This section has been revised to improve flow and readability and moved to Section II.B.5.
	<b>Risk Management Product Selection Considerations</b>	This section has been revised to improve flow and readability and moved to Section II.B.6. The detailed explanations of product selection criteria (e.g. physical need, relative value,

		opportunity costs) were deleted (pages 75,76,77,78 and 79).
<b>Section II.B. – Risk Management Policy and Strategy</b>	<b>Security Requirements (Collateral and Credit)</b>	This section has been revised to improve flow and readability and moved to Appendix B, Section B.
	<b>Collateral and Credit-Related Responsibilities</b>	This section has been deleted (page 80)
	<b>Collateral Requirements</b>	This section has been revised to improve flow and readability and moved to Appendix B, Section B. The Initial and Daily Margin explanations were deleted (pages 82 and 83).
	<b>Liquidity Requirements</b>	This has been moved to Appendix B, Section B.
	<b>Products that Contribute to the Need for Collateral</b>	This section has been revised to improve flow and readability and moved to Appendix B, Section B.
	<b>Size of Requirements for Liquidity Associated with Plan SDG&amp;E’s Established Liquidity Limit</b>	This section has been deleted (page 86).
	<b>SDG&amp;E’s Established Liquidity Limit</b>	This section has been moved to Appendix B, Section B.
	<b>Operation of the Liquidity Limit</b>	This section has been deleted (page 88).
	<b>Products that Do Not Contribute to the Need for Collateral</b>	This section has been revised to improve flow and readability and moved to Appendix B, Section B.
	<b>Credit Requirements</b>	This section has been revised to improve flow and readability and moved to Section II.B.7.
	<b>Recovery of Credit-Related Costs</b>	This section has been combined with the section titled Credit Requirements as Section II.B.7.a.
	<b>Calculation of Unsecured Credit Lines</b>	This section has been revised to improve flow and readability and moved to Appendix B, Section B.

	<b>Contractual Credit Provisions</b>	This section has been revised to improve flow and readability and moved to Appendix B, Section B.
<b>Section II.B. – Risk Management Policy and Strategy</b>	<b>Measurement</b>	This section has been combined with the section titled Credit Requirements as Section II.B.7.a.
	<b>Credit Risk Monitoring and Mitigation Strategy</b>	This section has been revised to improve flow and readability and combined with the section titled Credit Requirements as Section II.B.7.b.
	<b>Customer Risk Tolerance and VaR-to-Expiration</b>	This section has been revised to improve flow and readability and moved to Section II.B.3.
	<b>VaR-to-Expiration (VtE) / VtE Methodology</b>	This section has been moved to Section II.B.4.
	<b>Appendix E – Exhibit II – 3</b>	This section has been deleted (pages 196 – 201).
<b>Appendix B</b>		Added new Appendix B to discuss SDG&E’s electric and gas heading strategies, and liquidity, security and collateral requirements.
	<b>Appendix B – Section A – Electric Hedging</b>	This section has been added to address electric hedging activities the company may undertake.

**ATTACHMENT 2**

## MAP OF CHANGES FROM 2006 TO 2012 LTPP

**Legend:** Section references from the 2006 LTPP are provided in the left column with changes to location or deletion from the 2012 LTPP shown in right column. Note revisions to the section headings from 2006 to 2012, are shown in redline. Descriptions of changes/updates are found in a table included in each witness' testimony.

2006 LTPP Section/Page Number (denoted in black) Revisions/Deletions from 2006 LTPP (denoted in redline)	2012 LTPP Location Changes <sup>1</sup> New Section and Title
<b>I. Introduction (p.2)</b>	Same location and title
<b>II. Procurement Implementation Plan (p.3)</b>	Same location and title
<b>A. <u>SDG&amp;E</u> Procurement Processes (p.3)</b>	Same location and title
Description of the Procurement Process from Planning Through Transaction, Execution, and Dispatch (p.3)	First portion of discussion moved to Section II.A.2.a. Remaining discussion moved to Section II.A.2.c.
The <u>Market</u> Transaction Process Flow	Moved to Section II.A.2.c. Removed restatement of Commission decision language related to Standards of Conduct.
Description of the Proposed Procurement Products for Electric and <u>Fuel</u> Gas Procurement (p.10)	Table 1 moved to Section II.A.3. Description of market products moved to Section II.A.4.
<del>Reliability-<u>Must-Run</u> Energy (p.13A)</del>	Deleted
<del><u>Must-Run</u> Energy (p14)</del>	Deleted
<u>Spot Markets/ <u>Spot</u> Energy (14)</u>	Re-titled and moved to Section II.A.4
<u>Forward Products (p.15)</u>	Moved to Section II.A.4
<u>Tolling (p.15)</u>	Moved to Section II.A.4

<sup>1</sup> Page numbers will be different in the 2012 LTPP due to all the other changes, but location is the same in terms of the order presented in the 2006 LTPP.

2006 LTPP Section/Page Number (denoted in black) Revisions/Deletions from 2006 LTPP (denoted in redline)	2012 LTPP Location Changes <sup>1</sup> New Section and Title
Indexed Energy (p.15)	Moved to Section II.A.4
Heat Rate Call Options (p.16)	Moved to Section II.A.4
Firm Transmission Rights-(FTRs) (p.16)	Deleted
Congestion Revenue Rights (CRRs) (p.16)	Moved to Section II.A.4
FTR/CRR Locational Swaps (p.17)	Deleted
CRR and Non-FTR/CRR Locational Swaps (p.18)	Moved to Section II.A.4
Third-Party Transmission Capacity (p.18)	Moved to Section II.A.4
Ancillary Services (p.19)	Moved to Section II.A.4
Inter-Utility Exchanges (IUEs) (p.20)	Moved to Section II.A.4
Counterparty Sleeves (p.20)	Moved to Section II.A.4
Resource Adequacy Products (p.21)	Moved to Section II.A.4
Emission Reduction Credits (p.22)	Moved to Section II.A.4
SO2 Allowances (p.22)	Moved to Section II.A.4
RA Import Counting Rights (p.22)	Moved to Section II.A.4
Contract Duration Pre-Approval Limits (p.23)	Moved to Section II.A.5.a
Description of Proposed Market and or Selection Process for Each Procurement Related Product (p.24)	Moved to Section II.A.5.a
Bilateral Contracts (p.24)	Moved to Section II.A.4
Exchanges (p.26)	Moved to Section II.A.4
Spot Markets (p.27)	Moved to Section II.A.4
Competitive Bid Solicitations (Request for Offers (p.29)	Divided between short-medium and long term RFO process and moved to Section II.A.5.a and II.A.5.b
Utility Owned Generation (UOG) and Participation in Competitive Solicitations (p.35)	Moved to Section II.A.5.b
Code of Conduct (p.36)	Moved to Appendix H

2006 LTPP Section/Page Number (denoted in black) Revisions/Deletions from 2006 LTPP (denoted in redline)	2012 LTPP Location Changes <sup>1</sup> New Section and Title
Utility Ownership Proposals Outside of a Competitive Solicitation (p.37)	Moved to Section II.A.5.b
Other Markets and Processes (p.38)	Portion of discussion related to short-term procurement moved to Section II.A.4 and Section II.A.5.a
Procurement Positions (p.39)	Moved to Section II.A.5.b
Description-Application of Least-Cost Best Fit Analysis (p.39)	Moved to Section II.A.5.b
Description of the Use of the Loading Order in Procurement (p.41)	Moved to Section V.
Current/Upcoming RFOs (p.42)	Moved to Section II.A.5.b
Requests for Bids/Offers for Local and System RA (p.43)	Moved to Section II.A.5.b
Price Forecasting (p.43)	Moved to Section II.A.5.b
Description of "Ratable-Rates" (p.44)	Deleted
Description of SDG&E's Consultation Process With its Independent Review Groups (p.45)	Moved to Appendix H
The Independent Evaluator Requirement (p.45)	Moved to Appendix H
SDG&E use of the PRG Process and Consultation with PRG (p.49)	Moved to Section II.A.5.b
CAM PRG (p.51)	Moved to Section II.A.5.b
Objective (p.51)	Moved to Section II.A.5.b
Rationale for Separate Advisory Group (51)	Moved to Section II.A.5.b
When Use of the Separate Advisory is Required (p.52)	Moved to Section II.A.5.b
Triggering the Separate Advisory Group (p.52)	Moved to Section II.A.5.b
Activities of the Separate Advisory Group (p.52)	Moved to Section II.A.5.b
Access to Information (p.53)	Moved to Section II.A.5.b
Meetings of Separate Advisory Group (p.53)	Moved to Section II.A.5.b
Requirements of CAM Group Members (p.53)	Moved to Section II.A.5.b
Description of Barriers-to-Contracting (p.55)	Deleted
<b>B. Risk Management Policy and Strategy (p.55)</b>	Same location and title



2006 LTPP Section/Page Number (denoted in black) Revisions/Deletions from 2006 LTPP (denoted in redline)	2012 LTPP Location Changes <sup>1</sup> New Section and Title
Current Risk Management Practices – SDG&E’s Hedge Plan, including Hedging Targets (p.55)	Hedging Targets moved to Appendix B. New section number added - II.B.1
5 Year Short-term Procurement Plan and Hedging Strategy (p.56)	Moved to Appendix B
Overview (p.56)	Deleted
First Rolling 12 Months and Year 1 (p.57)	Moved to Appendix B
Year 2 (p.60)	Moved to Appendix B
Intermediate Term – For Years 3 through 5 of the Rolling 5 Year Plan (p.61)	Moved to Appendix B
Long Term (Years 6 Through 10) (65)	Moved to Appendix B
Portfolio Risk Assessment – A Discussion of Forecast SDG&E Risk Positions, Risk Management Products and Selection Criteria	New section number added - II.B.2
Risk Management Products (p.70)	New section number added - II.B.5
Electricity Exposure (p.71)	New section number added - II.B.5.a
Bilateral Structured Contracts (p.71)	Deleted
Fixed-price Forward Trades for Power (p.71)	New section number added - II.B.5.b
Exchange of Risk Exposure (p.72)	New section number added - II.B.5.c
Felling Capacity Purchase (p.72)	Deleted
NYMEX Gas Futures, Options and Gas Basis Swaps (p.72)	New section number added - II.B.5.d
Gas Price Exposure (p.73)	New section number added - II.B.5.e
Risk Management Products Selection Considerations (p.74)	New section number added - II.B.6
Security Requirements (Collateral and Credit) (p.80)	Moved to Appendix B
Collateral and Credit-Related Responsibilities	Deleted
Collateral Requirements (p.81)	Moved to Appendix B
Daily Margin (p.82)	Deleted
Initial Margin (p.83)	Deleted

2006 LTPP Section/Page Number (denoted in black) Revisions/Deletions from 2006 LTPP (denoted in redline)	2012 LTPP Location Changes <sup>1</sup> New Section and Title
Liquidity Requirements (p.83)	Moved to Appendix B
Products that Contribute to the Need for Collateral (p.84)	Moved to Appendix B
Exchange Cleared Products (p.85)	Moved to Appendix B
ICE Traded Products (p.85)	Moved to Appendix B
Other OTC "Liquidity Demanding" Products (p.85)	Moved to Appendix B
Size-of-Requirements-for-Liquidity-Associated-with-Plan (p.86)	Deleted
SDG&E's Established Liquidity Limit (p.87)	Moved to Appendix B
Operation-of-the-Liquidity-Limit (p.88)	Deleted
Products that Do Not Contribute to the Need for Collateral (89)	Moved to Appendix B
Credit Requirements (p.92)	Combined with Recovery of Credit Related Costs and new section number added - II.B.7
Recovery of Credit-Related Costs (p.93)	Combined with Credit Requirements (Section II.B.7)
Calculation of Unsecured Credit Lines (p.93)	Moved to Appendix B
Contractual Credit Provisions (p.94)	Moved to Appendix B
Measurement (p.99)	Combined with Credit Requirements (Section II.B.7)
Credit Risk Monitoring and Mitigation Strategy (p.101)	Combined with Credit Requirements (Section II.B.7)
Customer Risk Tolerance and VaR-to-Expiration (p.103)	Moved to new section number II.B.3
VaR-to-Expiration (VtE) (p.104)	Moved to new section number II.B.4
VtE Methodology (p.104)	Deleted
C. Fuel Supply Procurement Strategy (p.107)	Moved to Appendix C
SDG&E-Owned Generation Units (p.108)	Moved to Appendix C
SDG&E-Controlled Units (Tolling Agreements) (p.109)	Moved to Appendix C
CDWR Units (p.109)	Moved to Appendix C
Natural Gas Procurement (p.112)	Moved to Appendix C
Products (p.112)	Moved to Appendix C

2006 LTPP Section/Page Number (denoted in black) Revisions/Deletions from 2006 LTPP (denoted in redline)	2012 LTPP Location Changes <sup>1</sup> New Section and Title
Baseload Gas (p.113)	Moved to Appendix C
Intra-month (swing) Gas (p.113)	Moved to Appendix C
Transportation Services (p.113)	Moved to Appendix C
Operational transactions (p.113)	Moved to Appendix C
Park and Loan Services (p.114)	Moved to Appendix C
Brokerage Services (p.114)	Moved to Appendix C
Sleeve Fees (p.114)	Moved to Appendix C
Sunrise (p114A)	Moved to Appendix C
Miramar Generating Facility (p.118)	Moved to Appendix C
Palomar (p.118)	Moved to Appendix C
CDWR Gas (p.120)	Moved to Appendix C
Gas Supply Plans (p.120)	Moved to Appendix C
Interaction with UEG Portfolio (p.121)	Moved to Appendix C
Natural Gas Hedging (p125)	Moved to Appendix C
Other Products/Other Fuels (p.127)	Moved to Appendix C
Nuclear Fuel (p.127)	Moved to Appendix C
Residual Fuel-Oil-and-Distillate (p.127)	Deleted
Storage and Transportation (p.127)	Moved to Appendix C
Summary (p.127)	Moved to Appendix C
Gas Pipeline Capacity (p.128)	Moved to Appendix C
Gas Storage Capacity (p.129)	Moved to Appendix C
III. Long-Term Procurement Resource Plan 2007-2016 (p.131)	Same location and title.
A. Introduction to Resource Planning and Planning Approach	Same location and title

2006 LTPP Section/Page Number (denoted in black) Revisions/Deletions from 2006 LTPP (denoted in redline) (p131)	2012 LTPP Location Changes <sup>1</sup> New Section and Title
B. Load Forecast (p.131)	Same location and title
C. Supply Forecast for Existing or Planned Resources (p.132)	Same Location. Existing and committed resources are in Appendix A tables.
D. Need Determinations (p.136)	Same location and title
E. Need Determinations – Total Service Area (p.136)	Moved to Section III.G and to Appendix A.
F. Need Determination – Bundled Customer System Need (p139)	Moved to Section III.E
G. Bundled Customer Local Capacity Need (p.139)	Moved to Section III.F
H. Resource to Fill Identified Need (p.140)	Same location and title
I. Approved Resource Plan (p.141)	Deleted section. Some contents combined with Section V.
IV. Procurement Strategy by Resource (p.143)	Same location and title
A. Introduction to Resource Acquisition Strategy (p.143)	Same location and title
B. Energy Efficiency (p.143)	Same location and title
C. Demand Response (p.144)	Same location and title
D. Renewable Energy Procurement Strategy (p.146)	Moved to Section IV.E
E. Distributed Generation (California Solar Incentive and Self Served Load) (P.150)	Moved to Section IV.F
F. Other Generation Supply Resources (p.150)	Moved to Section IV.F
G. Integration of Transmission and Procurement Planning (p.151)	Deleted
Key Transmission Projects that are Critical to SDG&E's Procurement Resource Plan (p.151)	Deleted
V. Evaluation of Resource Plan (P.153)	Same location and title
Environmental Impacts (p.153)	Move to Testimony of Robert Anderson for the Required

2006 LTPP Section/Page Number (denoted in black) Revisions/Deletions from 2006 LTPP (denoted in redline)	2012 LTPP Location Changes <sup>1</sup> New Section and Title
	Assumptions
VI. Cost Recovery Issues (p.156)	Same location and title
Existing Cost Recover Mechanisms For Procurement Costs (p.156)	New section number - VI.A
Current Commission Guidance Related to Debt Equivalence (p.157)	New section number - VI.B
Current Commission Guidance Related to FIN 46(R) (p.158)	New section number - VI.B
Appendices	
A. SDG&E Advice Letter 1920-E (p.160)	Old Appendix A deleted and replaced with new Appendix A: Energy and Capacity Tables, System Need.
B. SDG&E Advice Letter 1926-E (p.165)	Old Appendix B deleted and replaced with new Appendix B: Electricity and Gas Hedging Plan
C. Requirements for the PRG, IE, and RFOs from D.07-12-052 (p.171)	Moved to Appendix H; New Appendix C: Gas Supply Plan
D. Glossary of Terms (p.176)	Moved to Appendix J; New Appendix D: Congestion Revenue Rights
E. Exhibits to Section II (p.184)	Old Appendix E deleted and replaced with new Appendix E: Convergence Bidding
Exhibit II - 1: Physical Procurement Positions (p.184)	Deleted
Exhibit II - 2: SDG&E's Request for Offer Evaluation Methodology Offer Processing and Evaluation (p.192)	Moved to Appendix G
Exhibit II - 3: Portfolio Financial Positions (p.196)	Deleted
Exhibit II - 4: Physical Gas Positions (p.202)	Deleted
F. Exhibits to Section III (p.209)	Old Appendix F moved to Appendix A; and replaced with new Appendix F: GHG (Placeholder)
Exhibit III - 1: SDG&E Service Area System Need (p.210)	Deleted
Exhibit III - 2: Electricity Resource Planning Capacity Resource	Moved to Appendix A

2006 LTPP Section/Page Number (denoted in black) Revisions/Deletions from 2006 LTPP (denoted in redline)	2012 LTPP Location Changes <sup>1</sup> New Section and Title
Accounting Table (p.211)	
<del>Exhibit III - 3: SDG&amp;E Service Area High Need Detail (p.245)</del>	Deleted
<del>Exhibit III - 4: SDG&amp;E Service Area Low Need Detail (p.247)</del>	Deleted
Exhibit III - 5: Energy Tables (p.219)	Moved to Appendix A
N/A	New Appendix G. RFO Evaluation Methodology
N/A	New Appendix H. Requirements for the Independent Evaluator
N/A	New Appendix I. Glossary of Terms
N/A	New Appendix J. Acronym List
N/A	New Appendix K. Energy Procurement Organization

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

**DECLARATION OF JAMES MAGILL  
REGARDING CONFIDENTIALITY OF CERTAIN DATA**

I, James Magill, do declare as follows:

1. I am the Manager of Energy Risk in the Electric and Fuel Procurement Department for San Diego Gas & Electric Company (“SDG&E”). I have reviewed Section II.B – Risk Management Policy and Strategy and Appendix B – Electric and Gas Hedging Strategy of the Long Term Procurement Plan, submitted concurrently herewith (the “LTPP”). In addition, I am personally 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 my personal knowledge and/or belief.

2. I hereby provide this Declaration in accordance with D.06-06-066, *et seq.*, to demonstrate that the confidential information (“Protected Information”) provided in the LTPP submitted concurrently herewith (described below) falls within the scope of data protected as confidential pursuant to the IOU Matrix attached to the Commission’s confidentiality decision, D.06-06-066 (the “IOU Matrix”) and/or under relevant statutory provisions.<sup>1/</sup>

---

<sup>1/</sup> The Matrix is derived from the statutory protections extended to non-public market sensitive and trade secret information. (See D.06-06-066, *mimeo*, note 1, Ordering Paragraph 1). The Commission is obligated to act in a manner consistent with applicable law. The analysis of protection afforded under the Matrix must always produce a result that is consistent with the relevant underlying statutes; if information is eligible for statutory protection, it must be protected under the Matrix. (See *Southern California Edison Co. v. Public Utilities Comm.* 2000 Cal. App. LEXIS 995, \*38-39) Thus, by claiming applicability of the Matrix, SDG&E relies upon and simultaneously claims the protection of applicable statutory provisions including, but not limited to, Public Utilities Code §§ 454.5(g) and 583, Govt. Code § 6254(k) and General Order 66-C.

3. In D.06-06-066, the Commission adopted rules governing confidentiality of certain categories of electric procurement data submitted to the Commission by investor owned utilities (“IOUs”) and energy service providers (“ESPs”). The Commission established two matrices – one applicable to IOUs, the other to ESPs – setting forth categories and sub-categories of data and providing a confidentiality designation for each.<sup>2/</sup>

4. To the extent information matches a Matrix category, it is entitled to the protection the Matrix provides for that category of information. In addition, the Commission has made clear that information must be protected where “it matches a Matrix category exactly . . . or consists of information from which that information may be easily derived.”<sup>3/</sup> In order to claim the protection afforded by the relevant Matrix, the party seeking confidential treatment must establish:

- 1) That the material it is submitting constitutes a particular type of data listed in the Matrix,
- 2) Which category or categories in the Matrix the data correspond to,
- 3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data,
- 4) That the information is not already public, and
- 5) That the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.<sup>4/</sup>

---

<sup>2/</sup> See, D.06-06-066, as amended by D.07-05-032, *mimeo*, Appendices 1 and 2.

<sup>3/</sup> See, *Administrative Law Judge’s Ruling on San Diego Gas & Electric Company’s April 3, 2007 Motion to File Data Under Seal*, issued May 4, 2007 in R.06-05-027, p. 2 (emphasis added).

<sup>4/</sup> D.06-06-066, as amended by D.07-05-032, *mimeo*, p. 81, Ordering Paragraph 2.



5. The Protected Information, consisting of the information described below, is protected pursuant to the following Matrix categories:

Description of Data	Matrix Category	Period of Confidentiality
Appendix B – Electric and Gas Hedging Strategy – Shaded data in Section B.	I.A.4 – Long-term fuel (gas) buying and hedging plans	Three years


6. SDG&E intends to comply with the limitations on confidentiality specified in the Matrix for the type of data that is provided herewith.

7. I am not aware of any instance of public disclosure of the Protected Information.

8. The Protected Information cannot be provided in a form that is further aggregated, redacted, or summarized and still provide the level of detail requested and expected by the Commission.

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

Executed this 23<sup>rd</sup> day of March, 2011, at San Diego, California.

  
\_\_\_\_\_  
James Magill  
Manager – Energy Risk  
Electric and Fuel Procurement