

Application No.: 14-05-xxx
Exhibit No.: _____
Witness: Ana Garza-Beutz
Date: May 30, 2014

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

****REDACTED AND PUBLIC****

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 30, 2014



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1 **PREPARED DIRECT TESTIMONY OF**

2 **ANA GARZA-BEUTZ ON BEHALF OF SDG&E**

3 **I. INTRODUCTION**

4 This testimony presents San Diego Gas & Electric Company's ("SDG&E's")
5 procurement of Greenhouse Gas ("GHG") compliance instruments during the record period of
6 January 1, 2013 through December 31, 2013 for compliance with California's Cap-and-Trade
7 Program. The following sections describe the Cap-and-Trade Program and demonstrate that
8 SDG&E procured compliance instruments during the record period in a manner consistent with
9 Track III of the Long-Term Procurement Plan ("LTPP") Decision ("D.") 12-04-046, and the
10 related California Public Utilities Commission ("Commission")-approved SDG&E 2012 LTPP,
11 Advice Letter ("AL") 2362-E-A.¹ SDG&E is requesting that the Commission find that
12 SDG&E's 2013 GHG product procurement is in compliance with both D.12-04-046 and
13 SDG&E's LTPP, approved in Commission Resolution E-4543.

14 **II. DEVELOPMENT OF CALIFORNIA'S CAP-AND-TRADE PROGRAM**

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

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 2362-E-A, Appendix F, addresses SDG&E's Commission-approved plan of GHG product procurement.

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

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

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

17 **A. Covered Entities**

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

1 (“UOG”) plants. Imported power includes generic out-of-state market purchases as well as
2 specified power such as electricity generated from the SDG&E-owned Desert Star Energy Center
3 and from SDG&E contracted generators Yuma Cogeneration Association (“YCA”) and Portland
4 General Electric Boardman (“Boardman”). At the time of the LTPP forecast, SDG&E had only
5 two UOG plants that were Covered Entities in the program: Palomar and Miramar. In addition,
6 as a result of contractual agreements with its Purchased Power Agreements (“PPAs”), SDG&E
7 has procurement obligations for various tolling agreements. For compliance years 2013 – 2016,
8 SDG&E forecasted in its LTPP that it would have compliance obligations for the following
9 tolling agreements: Otoy Mesa Energy Center (“OMEC”), Pio Pico, Quail Brush and Orange
10 Grove.²

11 **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
17 seller-guaranteed offsets via Request for Offering (“RFO”), allowance futures via approved
18 exchanges and allowances via CARB-run quarterly auctions and Price Containment Reserve
19 Sales. For the 2012/2013 procurement period, the LTPP has authorized purchases and sales of

² From Sheet F-11 of SDG&E’s Long Term Procurement Plan, AL 2362-E-A / 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 July 2012, included Pio Pico and Quail Brush, these two tolling agreements were denied in D.13-03-029. However, in a subsequent proceeding, the Commission approved a new tolling agreement for the Pio Pico facility that will begin in 2017. See D.14-02-016. Additionally, at the time of the forecast, the Cuyamaca Peaker Plant had not exceeded the 25,000 MT threshold and thus was not included in the Forecast / Limit Forecast. Cuyamaca exceeded the threshold at the end of 2012 and thus it became a Compliance Entity for which SDG&E needs to procure compliance instruments.

1 Vintages 2013 – 2016. The volumetric limit of the combined 2012/2013 procurement period
2 was [REDACTED].³

3 **C. GHG Forecast Application**

4 As part of a separate and closely related proceeding, A.13-08-002 et al. and A.14-04-018
5 (the “GHG Applications”), the Commission is expected to determine, among other things,
6 whether SDG&E’s (and the other utilities’) 2013, 2014 and 2015 forecasts of GHG costs and
7 GHG revenue amounts are reasonable.⁴ SDG&E filed its first GHG Application under
8 A.13-08-005 on August 1, 2013 which forecast 2014 GHG costs and revenues. In Phase I of
9 A.13-08-002 et al. the Commission reviewed A.13-08-005 and authorized SDG&E to recover
10 associated GHG costs in D. 13-12-041. As required by D.12-12-033 and D.13-12-041, SDG&E
11 filed a forecast of its 2015 GHG costs and revenues on April 15, 2014 (A.14-04-018) that also
12 included SDG&E’s “actual” GHG costs and actual GHG revenues for 2013. While the
13 Commission is expected to review SDG&E 2013 GHG-related costs and revenues as part of the
14 GHG Application proceedings, the scope of the review for those costs is to review the
15 compliance instruments that SDG&E purchased/sold for the 2013 compliance year.⁵ While
16 some overlap of the subject matter occurs between this Application and my GHG Application

³ From Sheet F-15 and F-16 of SDG&E’s 2012 Long Term Procurement Plan, AL 2362-E-A / D.12-04-046.

⁴ GHG revenues are from sales of allowances, allocated to SDG&E by the ARB, in ARB auctions as required in the Cap-and-Trade regulation.

⁵ D.13-12-041 directs “when the utilities file their GHG Revenue and Reconciliation Applications later in 2014, the forecasts from 2013 will be trued up against the actuals from 2013. The process will be repeated for 2014 forecasts in 2015.” The utilities have stipulated to “actual costs” being direct costs and indirect costs incurred for the compliance year. See Stipulations regarding GHG Accounting Procedures for Ratesetting Purposes in JOINT UTILITY OPENING BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E), SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E), PACIFIC GAS AND ELECTRIC COMPANY (U 39-E), PACIFICORP (U 901-E) AND LIBERTY UTILITIES, LLC (CALPECO ELECTRIC) (U 933-E) in Phase 2, filed May 13, 2014.

1 Testimony, the request in this Application is for a review of all GHG compliance instrument
2 procurement costs incurred in 2013 for purposes of compliance with the LTPP and AB 57.⁶

3 **III. 2013 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 2013 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.”⁷

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 [REDACTED] Actual settlement prices for the 2013 auctions
21 ranged \$10.71 - \$14.00. SDG&E’s procurement activity in 2013 is shown in the table below.

⁶ The GHG Application testimony on 2013 actuals is used to true-up the amounts of revenue return in 2015. See D.13-12-041.

⁷ D.12-04-046 at 56.

⁸ From Sheet F-15 and F-16 of SDG&E’s Long Term Procurement Plan, AL 2362-E-A / D.12-04-046.

1 Combined with [REDACTED] of procurement in 2012, SDG&E purchased a total of
 2 [REDACTED] of Compliance Instruments in the 2012/2013 procurement period, which was
 3 below SDG&E's limit of [REDACTED].

2013 Procurement Activity (Volumes in MT; Price in \$/MT)								
Vintage Year	Compliance Instrument	Allowances						Total
		2013 CARB Auctions				Futures	via RFO	
	Date	Feb-13	May-13	Aug-13	Nov-13	2013	2013	
2013	Volume (in MT)	[REDACTED]						
	Price/Cost	\$13.62	\$14.00	\$12.22	\$11.48			
2014	Volume (in MT)	-	-	-	-			
	Price/Cost	-	-	-	-			
2015	Volume (in MT)	-	-	-	-			
	Price/Cost	-	-	-	-			
2016	Volume (in MT)	[REDACTED]						
	Price/Cost	\$10.71	\$10.71	\$11.10	\$11.10			
Total	Volume (in MT)	[REDACTED]						
	Cost	[REDACTED]						

4
 5 SDG&E's 2013 procurement activity included running a RFO that sought offers for
 6 CARB-approved offsets. The RFO was issued on September 18, 2013 and resulted in signed
 7 executed contracts prior to the end of 2013.⁹

8 **IV. CONCLUSION**

9 SDG&E's procurement activity was consistent with the approach prescribed by the
 10 Commission in D.12-04-046 and SDG&E's LTPP in Advice Letter 2362-E-A for procuring
 11 GHG compliance instruments. Therefore, SDG&E requests that the Commission find that
 12 SDG&E demonstrated compliance with D.12-04-046 and Commission-approved AL 2362-E-A
 13 for procurement of GHG-related compliance instruments based on the testimony provided herein
 14 for the record period January 1, 2013 through December 31, 2013.

⁹ Following the requirements of D.12-04-046, SDG&E's RFO sought only offers where the seller contractually assumes the risk of invalidation of the offset.

1 **V. QUALIFICATIONS OF ANA GARZA-BEUTZ**

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

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

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

13 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

I, Ana Garza-Beutz, declare as follows:

1. I am a Senior Energy Administrator for San Diego Gas & Electric Company (“SDG&E”). I have reviewed my prepared direct testimony (“Testimony”) in support of SDG&E’s May 30, 2014 Application for SDG&E’s 2013 ERRRA Compliance. Additionally, 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 and/or belief.

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:

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.

*CONFIDENTIAL PURSUANT TO APPLICABLE PROVISIONS OF
D.06-06-066, GENERAL ORDER 66-C AND PUBLIC UTILITIES CODE §§ 454.5(g) AND 583*

Confidential Information	Matrix Reference	Reason for Confidentiality and Timing
Page 4, line 2 and Page 6, line 3 (SDG&E's 2012/2013 volumetric limit)	I.A.4	Natural Gas Information: Forecasts (gas): Long-term fuel (gas) buying and hedging plans; confidential for three years
Page 5, lines 12 - 20 (SDG&E's 2012/2013 procurement strategy)	I.A.4	Natural Gas Information: Forecasts (gas): Long-term fuel (gas) buying and hedging plans; confidential for three years
Page 6, line 2 and line 3 (SDG&E's 2012/2013 volumetric GHG procurement)	I.A.4	Natural Gas Information: Forecasts (gas): Long-term fuel (gas) buying and hedging plans; confidential for three years
Page 6, table on line 4 (SDG&E's 2013 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. Some of the information in the table above is also required to be kept confidential pursuant to the rules of the Air Resources Board as promulgated in Article 5, the Cap-and-Trade Regulation, section 95914 (c). Among other things, the Regulation requires Bidding Strategies to be confidential. Since SDG&E's historical auction awards and other historical GHG procurement activities reveal SDG&E's prior bidding/consignment strategies, prior auction results and procurement activities are required to be kept confidential.

5. I am aware of one instance where the confidential information from page 6, line 1 of my testimony was inadvertently disclosed to the public. I am not aware of any instances where the confidential information described in my testimony was intentionally 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 30th day of May, 2014, at San Diego, California.



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