

Application No.: 17-06-
Exhibit No.: _____
Witness: Ana Garza-Beutz
Date: June 1, 2017

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

****REDACTED, PUBLIC VERSION****

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

June 1, 2017



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1 **PREPARED DIRECT TESTIMONY OF**

2 **ANA GARZA-BEUTZ**

3 **ON BEHALF OF SDG&E**

4 **I. INTRODUCTION**

5 This testimony presents San Diego Gas & Electric Company’s (“SDG&E”) procurement
6 of Greenhouse Gas (“GHG”) compliance instruments during the record period of
7 January 1, 2016 through December 31, 2016 for compliance with California’s Cap-and-Trade
8 Program. The following sections describe the Cap-and-Trade Program and demonstrate that
9 SDG&E procured compliance instruments during the record period in a manner consistent with
10 Track III of the Long-Term Procurement Plan (“LTPP”) Decision (“D.”) 12-04-046, and the
11 related California Public Utilities Commission (“Commission”)-approved SDG&E 2012 LTPP
12 and 2014 LTPP, implemented by SDG&E Advice Letters (“AL”) 2362-E-A and 2831-E and
13 2850-E.¹ SDG&E is requesting that the Commission find that SDG&E’s 2016 GHG product
14 procurement is in compliance with both D.12-04-046 and SDG&E’s LTPP.

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

16 In 2006, Assembly Bill (“AB”) 32 became law. The bill requires California to lower
17 GHG emissions to 1990 levels by 2020. To achieve AB 32’s goals, the California Air
18 Resource’s Board (“CARB”) created a scoping plan that included multiple comprehensive
19 actions. One such action was creating California’s Cap-and-Trade Program, intended to

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. Appendix F of SDG&E’s Long-Term Procurement Plan, which was originally approved in AL 2362-E-A by Resolution E-4543 (October 11, 2012) and amended in AL 2831-E (approved January 26, 2016 and effective January 1, 2016) and later amended again in AL 2850 E-A (approved March 30, 2016 and effective February 19, 2016), addresses SDG&E’s Commission-approved plan of GHG product procurement. Due to SDG&E’s 2014 LTPP becoming effective within the 2016 record period, SDG&E’s prior 2012 LTPP was also active in early 2016.

1 establish a market-based price for GHG emissions, provide market signals to promote investment
2 in Energy Efficiency (“EE”) activities and encourage the use of low emitting electric generation
3 to reduce GHG emissions. The Cap-and-Trade Program covers compliance years 2013 to 2020.
4 The compliance years are divided into three separate compliance periods: Compliance Period 1
5 covers years 2013-2014; Compliance Period 2 covers years 2015-2017; and Compliance Period 3
6 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 year. The program was
10 designed so that allowances can be banked for use in future years. Future vintages, however,
11 cannot be used to satisfy an obligation for a prior year.

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

16 **A. Covered Entities**

17 Emitters covered under the Cap-and-Trade Program must procure one Compliance
18 Instrument for every metric ton (“MT”) of carbon dioxide equivalent (“CO₂e”) that they emit.
19 Only entities that exceed emissions thresholds and are in sectors covered by the program are
20 subject to compliance. Entities subject to compliance are called Covered Entities.² Electric
21 generators that exceed 25,000 MTs of emissions in a calendar year and electric imports are

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

1 covered entities. As such, SDG&E must purchase Compliance Instruments for its imported
2 power and for its Utility-Owned Generation (“UOG”) plants. Imported power includes generic
3 out-of-state market purchases as well as specified power such as electricity generated from the
4 SDG&E-owned Desert Star Energy Center and from SDG&E contracted generator Yuma
5 Cogeneration Association (“YCA”). At the time of the updated LTPP forecast, SDG&E had two
6 California UOG plants that were Covered Entities in the program: Palomar Energy Center and
7 Miramar Energy Facility³. In addition, because of contractual agreements with its Purchased
8 Power Agreements (“PPAs”), SDG&E has procurement obligations for various tolling
9 agreements. For compliance years 2016 – 2019, SDG&E forecasted in its LTPP that it would
10 have compliance obligations for the following tolling agreements: Otay Mesa Energy Center
11 (“OMEC”), Goal Line, Pio Pico Energy Center, Carlsbad Energy Center, Orange Grove Energy
12 and Escondido Energy Center.⁴

13 **B. LTPP Approved Procurement Methods**

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

³ The Cuyamaca Peak Energy Plant which was a covered entity in CP1 (2013-2014), was verified to be below the 25,000MT threshold for 2012-2014, thus making it eligible to be removed as a covered entity in the Cap-and-Trade program. The 2016 forecast continued to show Cuyamaca below the threshold.

⁴ From Sheet F-11 of SDG&E’s Long-Term Procurement Plan, AL 2831-E and AL 2850 E-A .

1 quarterly auctions and Price Containment Reserve Sales. For the 2016 procurement period, the
2 LTPP has authorized purchases and sales of Vintages 2013 – 2019. The LTPP Limit for the
3 2016 procurement period was [REDACTED].⁵

4 **III. 2016 GHG COMPLIANCE INSTRUMENT PROCUREMENT**

5 SDG&E seeks the Commission’s determination in this proceeding that SDG&E’s
6 procurement of GHG-related products during 2016 was in compliance with the Commission’s
7 approach on GHG procurement, as stated in the Track III Decision of the LTPP Proceeding,
8 D.12-04-046. In that Decision, the Commission issued a procurement limit regarding
9 Compliance Instruments that “provides the utilities broad latitude, particularly giving them the
10 opportunity to forward procure to the degree they believe compliance instrument prices are
11 favorable, or to postpone procurement to when they believe pricing will become more
12 favorable.”⁶

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

18 2016 Vintage 2016 and Vintage 2019 auctions remained at the floor of \$12.73 for all four
19 quarterly auctions. SDG&E’s procurement activity in 2016 is shown in the tables below.

⁵ From Sheets F-15 and F-16 of SDG&E’s 2012 Long Term Procurement Plan, AL 2831-E/ D.12-01-033, AL 2850 E-A / D.15-10-031 and as described in D.12-04-046.

⁶ D.12-04-046 at 57.

⁷ From Sheets F-15 and F-16 of SDG&E’s Long Term Procurement Plan, AL 2831-E/ D.12-01-033, AL 2850 E-A / D.15-10-031 and as described in D.12-04-046.

1 SDG&E purchased [REDACTED] and sold [REDACTED] of Compliance Instruments in the
2 2016 procurement period, the net Purchases were [REDACTED] which was below SDG&E's
3 limit of [REDACTED]. SDG&E's 2016 Quarterly Compliance Reports Attachment Q tables
4 below show the specific transactions executed in 2016 and the individual costs associated with
5 each transaction. SDG&E's total net cost spent on GHG procurement in 2016 was [REDACTED].

6 See Attachment A below for SDG&E's four 2016 Quarterly Compliance Reports
7 Attachment Q tables.

8 **IV. CONCLUSION**

9 SDG&E's procurement activity was consistent with the approach prescribed by the
10 Commission in D.12-04-046, D.15-10-031 and SDG&E's LTPP in Advice Letters 2362-E-A,
11 2850-E-A and AL 2831-E, discussed above, for procuring GHG compliance instruments.
12 Therefore, SDG&E requests that the Commission find that SDG&E complied with D.12-04-046,
13 D.15-10-031 and Commission-approved AL 2362-E-A, AL 2850-E-A and AL 2831-E for
14 procurement of GHG-related compliance instruments based on the testimony provided herein for
15 the record period January 1, 2016 through December 31, 2016.

16

1 **V. QUALIFICATIONS**

2 My name is Ana Garza-Beutz. My business address is 8315 Century Park Court, San
3 Diego, CA 92123. I am employed by SDG&E. My current title is Principal 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.

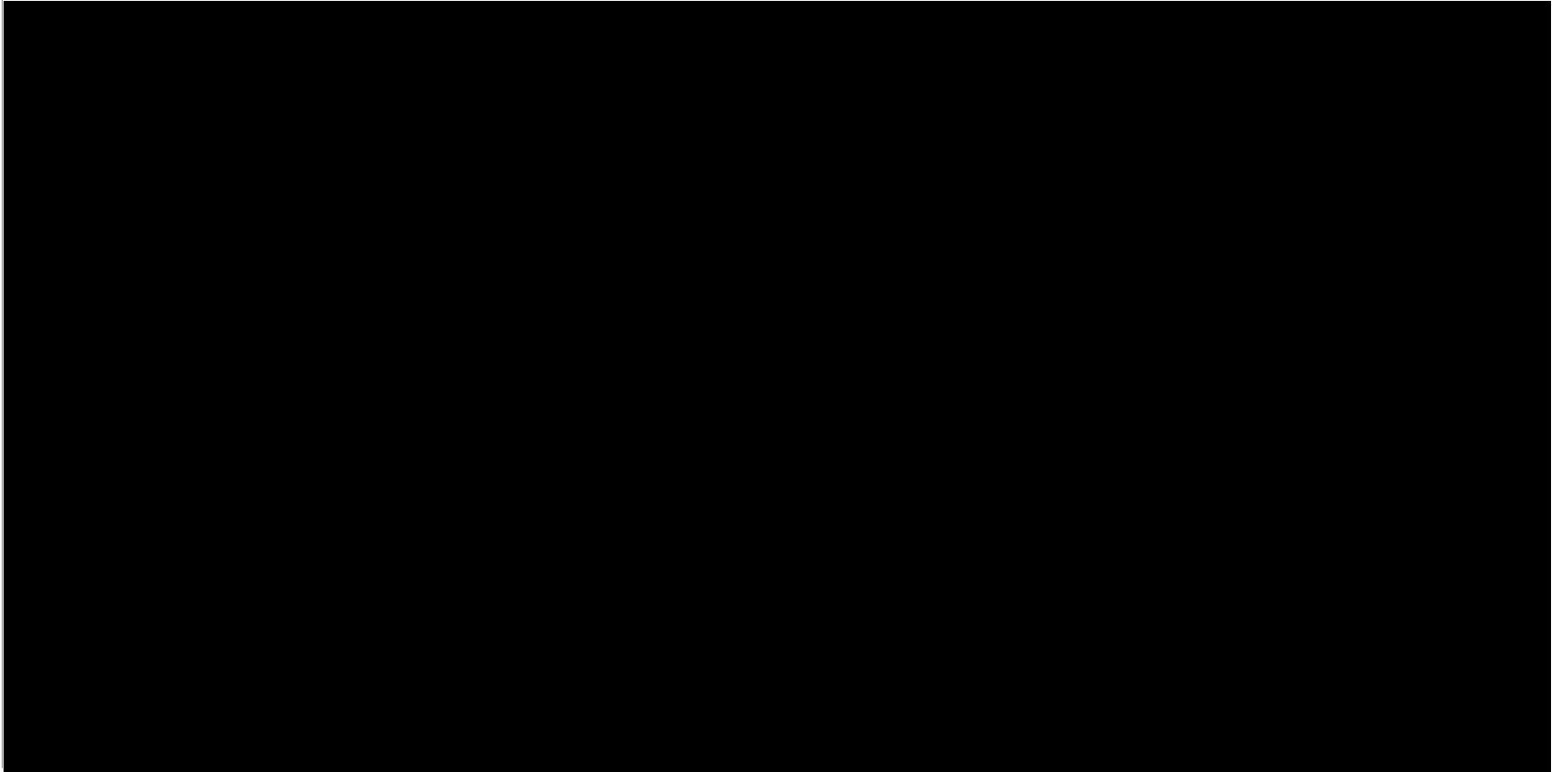
13 I have previously testified before the Commission on GHG issues.

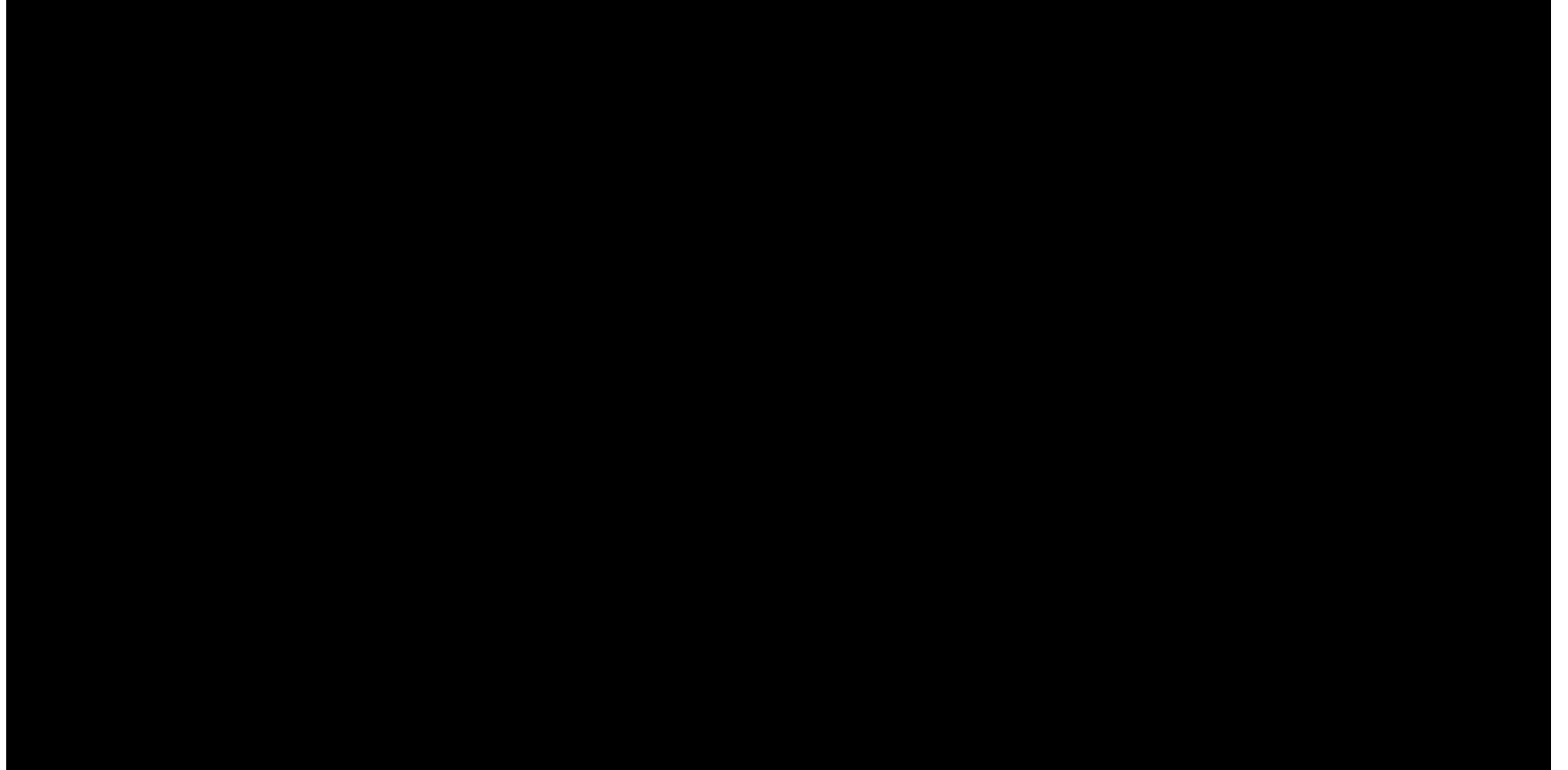
ATTACHMENT A

QCR Attachment Q - GHG DEALS - Q1 2016

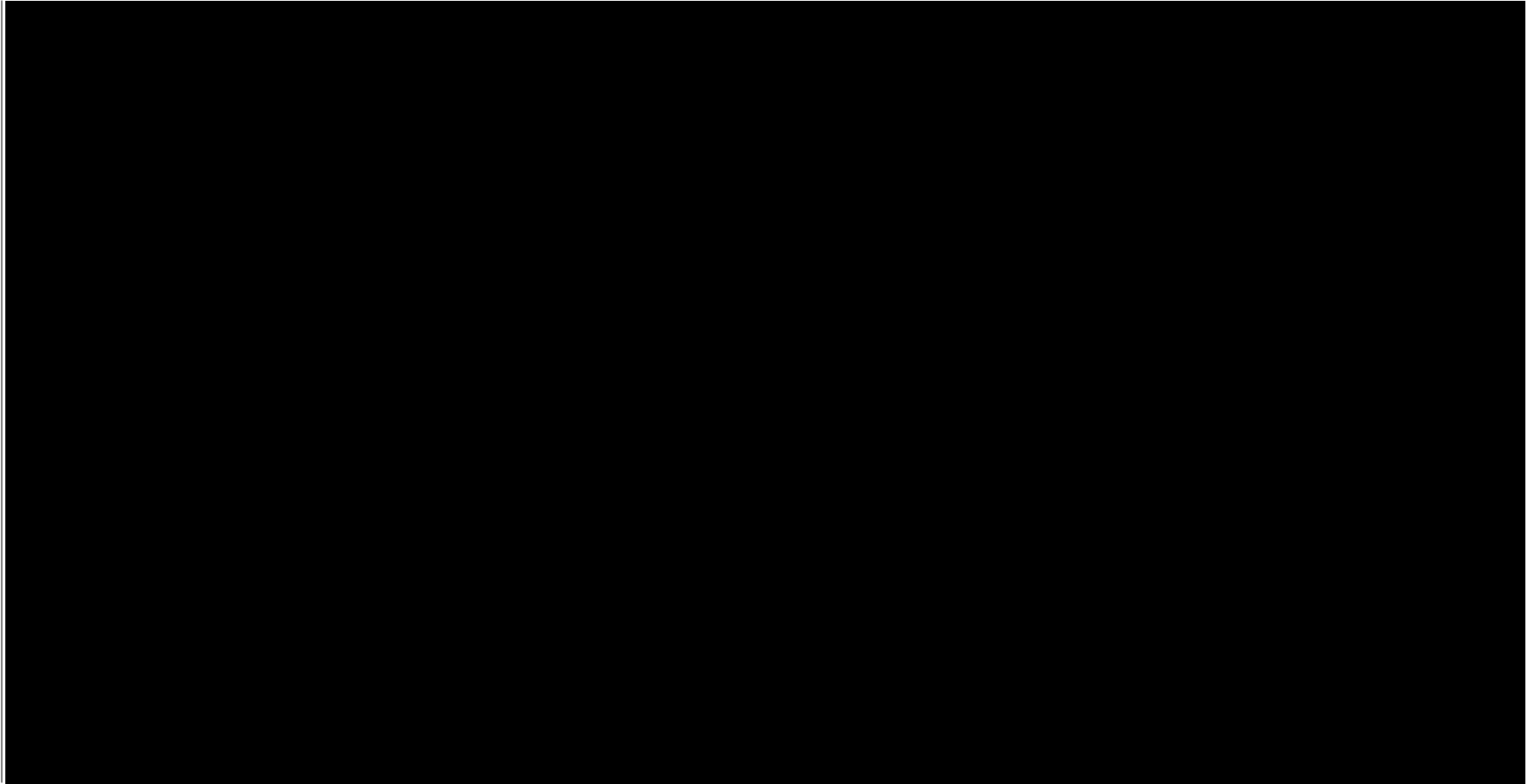


QCR Attachment Q - GHG DEALS - Q2 2016





QCR Attachment Q - GHG DEALS - Q4 2016



* Initiation Date refers to the date that SDG&E comitted to the purchase/sale. The Transfer Date refers to the date SDG&E received/delivered the
** Offsets marked as Vintage 2009- can be Vintage 2007 - 2009.

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

**DECLARATION OF RYAN A. MILLER
REGARDING CONFIDENTIALITY OF CERTAIN DATA PURSUANT TO D.16-08-024**

I, Ryan A. Miller, do declare as follows:

1. I am the Manager – Energy Supply & Dispatch, designated by Emily C. Shults, Officer and VP – Energy Procurement in the Electric & Fuel Procurement Department for San Diego Gas & Electric Company (“SDG&E”) to submit this declaration. I have reviewed Ana Garza-Beutz’s Prepared Direct Testimony (“Testimony”) in support of SDG&E’s June 1, 2017 Application for SDG&E’s 2016 Electric Procurement Revenue Requirement Compliance (“Application”). 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 Decision (“D.”) D-16-08-024 to demonstrate that the confidential information (“Protected Information”) provided in Ana Garza-Beutz’s Testimony is within the scope of data protected as confidential under applicable law, and pursuant to Public Utilities (“PUC”) Code § 583 and General Order (“GO”) 66-C, as described in Attachment A below.

3. In accordance with the legal authority described herein, the Protected Information should be protected from public disclosure.

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 1st day of June, 2017, at San Diego, California.



Ryan A. Miller
Manager – Energy Supply & Dispatch

ATTACHMENT A

SDG&E Request for Confidentiality on the following information contained in Ana Garza-Beutz’s Testimony in support of SDG&E’s June 1, 2017 Approval of Its 2016 Electric Procurement Revenue Requirement Compliance (“Application”)

Location/Title of Protected Information	Legal Justification for Withholding	Basis for Confidentiality Treatment
<p>1. ABG-4, lines 3 and 14; ABG-5, line 3</p> <p><i>(SDG&E’s 2016 volumetric limit)</i></p>	<p>The GHG Confidential Information Matrix in Attachment A of D.14-10-033 and revised in D.15-01-024, P.U. Code § 454.5(g), and GO 66-C</p> <p>1dii. of D.15-01-024 in Attachment A makes the following confidential: CPUC-approved procurement limits for compliance exposure and financial exposure</p>	<p>17 CCR Section 95914(c)(1) of the Cap-and-Trade regulations prohibits disclosure of any auction-related information, except when the release is made by a privately-owned utility to its regulatory agency pursuant to its rules, orders or decisions (Section 95914(c)(2)). Violation of Section 95914 may subject SDG&E to penalties by the California Air Resources Board.</p> <p>Auction-related information also falls under the “Confidential” category included in the Confidentiality Protocols of both D.15-01-033 and D.15-10-032 (Attachment A and Appendix B respectively).</p> <p>Disclosure of this information would place SDG&E at an unfair business disadvantage relative to other Cap-and-Trade market participants and results in higher Cap-and-Trade compliance costs for SDG&E and its end-use ratepayers.</p>
<p>2. ABG-4, lines 13 - 17</p> <p><i>(SDG&E’s 2016 auction procurement strategy)</i></p>	<p>The GHG Confidential Information Matrix in Attachment A of D.14-10-033 and revised in D.15-01-024, P.U. Code § 454.5(g), and GO 66-C</p> <p>1a of D.15-01-024 in Attachment A makes the following confidential: Utility AB 32 GHG auction participation, including but not limited to.... Auction bidding strategy</p>	<p>17 CCR Section 95914(c)(1) of the Cap-and-Trade regulations prohibits disclosure of any auction-related information, except when the release is made by a privately-owned utility to its regulatory agency pursuant to its rules, orders or decisions (Section 95914(c)(2)). Violation of Section 95914 may subject SDG&E to penalties by the California Air Resources Board.</p> <p>Auction-related information also falls under the “Confidential” category included in the Confidentiality Protocols of both D.15-01-033 and D.15-10-032 (Attachment A and Appendix B respectively).</p> <p>Disclosure of this information would place SDG&E at an unfair business disadvantage relative to other Cap-and-Trade market participants and results in higher Cap-and-Trade compliance costs for SDG&E and its end-use ratepayers.</p>
<p>3. AGB-5, lines 1, 2 and 5</p>	<p>The GHG Confidential Information Matrix in Attachment A of D.14-10-033 and revised in D.15-01-024, P.U. Code § 454.5(g), and GO 66-C</p>	<p>17 CCR Section 95914(c)(1) of the Cap-and-Trade regulations prohibits disclosure of any auction-related information, except when the release is made by a privately-owned utility to its regulatory agency pursuant to its rules, orders or decisions (Section 95914(c)(2)). Violation of Section 95914 may</p>

<p><i>(SDG&E's 2016 Direct volumetric GHG procurement)</i></p>	<p>1b of D.15-01-024 in Attachment A makes the following confidential: Utility GHG compliance instrument inventories or quantities that can be used to derive GHG compliance instrument holdings</p>	<p>subject SDG&E to penalties by the California Air Resources Board.</p> <p>Auction-related information also falls under the “Confidential” category included in the Confidentiality Protocols of both D.15-01-033 and D.15-10-032 (Attachment A and Appendix B respectively).</p> <p>Disclosure of this information would place SDG&E at an unfair business disadvantage relative to other Cap-and-Trade market participants and results in higher Cap-and-Trade compliance costs for SDG&E and its end-use ratepayers.</p>
<p>4. <i>Tables on AGB-A-1, AGB-A-2, AGB-A-3, and AGB-A-4</i></p> <p><i>(SDG&E's 2016 Direct GHG procurement: volumes, prices and costs)</i></p>	<p>The GHG Confidential Information Matrix in Attachment A of D.14-10-033 and revised in D.15-01-024, P.U. Code § 454.5(g), and GO 66-C</p> <p>1b of D.15-01-024 in Attachment A makes the following confidential: Utility GHG compliance instrument inventories or quantities that can be used to derive GHG compliance instrument holdings</p> <p>1c of D.15-01-024 in Attachment A makes the following confidential: Negotiated contract terms of non-public contract terms of Utility AB32 GHG transactions</p>	<p>17 CCR Section 95914(c)(1) of the Cap-and-Trade regulations prohibits disclosure of any auction-related information, except when the release is made by a privately-owned utility to its regulatory agency pursuant to its rules, orders or decisions (Section 95914(c)(2)). Violation of Section 95914 may subject SDG&E to penalties by the California Air Resources Board.</p> <p>Auction-related information also falls under the “Confidential” category included in the Confidentiality Protocols of both D.15-01-033 and D.15-10-032 (Attachment A and Appendix B respectively).</p> <p>Disclosure of this information would place SDG&E at an unfair business disadvantage relative to other Cap-and-Trade market participants and results in higher Cap-and-Trade compliance costs for SDG&E and its end-use ratepayers.</p>