

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2016 General Rate Case
Application: A.14-11-XXX
Exhibit: SDGE-08

SDG&E

**DIRECT TESTIMONY OF SUE E. GARCIA
(ELECTRIC AND FUEL PROCUREMENT)**

November 2014

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



A  Sempra Energy utility®

TABLE OF CONTENTS

I. INTRODUCTION 1
 A. Summary of Costs 1
 B. Summary of Activities 1
II. NON-SHARED COSTS 2
 A. Introduction 2
 B. Long-Term Procurement 2
 1. Description of Costs and Underlying Activities 3
 2. Forecast Method 4
 3. Cost Drivers 5
 C. Trading and Scheduling 5
 1. Description of Costs and Underlying Activities 5
 2. Forecast Method 8
 3. Cost Drivers 8
 D. Middle-Office and Back-Office 9
 1. Description of Costs and Underlying Activities 9
 2. Forecast Method 11
 3. Cost Drivers 11
III. CONCLUSION 12
IV. WITNESS QUALIFICATIONS 13

LIST OF APPENDICES

Glossary of Acronyms SEG-A-1

SUMMARY

| O&M | 2013 (\$000) | 2016 (\$000) | Change |
|----------------|---------------------|---------------------|---------------|
| Non-Shared | \$8,569 | \$8,757 | \$188 |
| Total | \$8,569 | \$8,757 | \$188 |

Summary of Requests

- San Diego Gas & Electric Company (“SDG&E”) requests that the California Public Utilities Commission (“CPUC”) adopt its proposal for \$8.8 million of operations and maintenance expenses for the function of procuring electricity for SDG&E’s bundled customers. Bundled customers are those which buy the electric commodity from SDG&E.
- A five year average was used as the base forecast methodology to develop the 2016 forecast.
- One full-time equivalent position (“FTE”)¹ will be added to administer the increasing workload of procurement functions, including the development of energy supply request for offers (“RFOs”) and to negotiate and execute contracts associated with energy storage and conventional generation.
- 2.0 FTEs will be added due to the increasing workload of procurement functions related to new renewable and conventional generation contracts. 0.5 FTE will be subtracted due to a reduction in Cap and Trade activities for electric commodity customers.²

¹ An FTE of 1.0 means that the person is equivalent to a full-time worker, while an FTE of 0.5 means that the worker is only half-time.

² In 2015, Cap and Trade activities for core gas will begin. However, additional FTEs are not forecasted to be needed because existing personnel working on electric Cap and Trade activities will, beginning in 2015, work on both core gas and electric and will allocate their time accordingly between the two functions. Cost recovery of the 0.5 FTE of core gas labor will be addressed in R. 14-03-003, Order Instituting Rulemaking to address Natural Gas Distribution Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions.

SDG&E DIRECT TESTIMONY OF SUE E. GARCIA
(ELECTRIC AND FUEL PROCUREMENT)

I. INTRODUCTION

A. Summary of Costs

I sponsor the test year 2016 forecasts for operations and maintenance (“O&M”) costs for non-shared services for the forecast years 2014 and 2015, and test year 2016, associated with the Electric and Fuel Procurement (“E&FP”) function for SDG&E. Table 1 summarizes my sponsored costs.

TABLE 1

Test Year 2016 Summary of Total Costs

| SDG&E ELECTRIC & FUEL PROCUREMENT | | | |
|------------------------------------|------------------------|------------------|--------|
| Shown in Thousands of 2013 Dollars | 2013 Adjusted-Recorded | TY2016 Estimated | Change |
| Total Non-Shared | \$8,569 | \$8,757 | \$188 |
| Total Shared Services (Incurred) | \$0 | \$0 | \$0 |
| Total O&M | \$8,569 | \$8,757 | \$188 |

B. Summary of Activities

E&FP is responsible for procuring, managing, planning and administrating SDG&E’s electric and fuel supply for bundled commodity customers. Bundled commodity customers are those customers that buy the commodity of electricity from SDG&E. Annually, since 2011, the bundled commodity costs have been over \$1 billion dollars. The procurement and administration activities conducted by SDG&E’s E&FP department are necessary to ensure that SDG&E plans for and acquires resources so that least-cost supply is available when needed by commodity customers. E&FP meets customer demand by bidding or scheduling energy resources into the wholesale energy and ancillary services markets. SDG&E buys all the electricity it needs from the California Independent System Operator (“CAISO”) market to serve its customers and sells electricity to the CAISO markets to offset its energy procurement expenses. CAISO optimizes the bids and schedules submitted into the market and determines which resources should run for each hour. SDG&E’s daily procurement process of buying and selling electricity in the CAISO market is done according to least cost dispatch requirements set forth by the CPUC.

SDG&E requests that the CPUC adopt its proposal for \$8.8 million of O&M expenses for each of the foregoing functions, which are described in more detail below. My testimony addresses the administrative expenses necessary to operate the E&FP department, but does not include commodity expenses themselves. The commodity expenses are recovered in the Energy Resource Recovery Account (“ERRA”) proceeding and the Greenhouse Gas (“GHG”) costs will be addressed in the core gas GHG proceeding.³ Regarding the administrative fees associated with the implementation of Assembly Bill 32, they are included as a part of Scott Pearson’s Environmental Services testimony, Exhibit SDG&E-18.

II. NON-SHARED COSTS

A. Introduction

SDG&E requests \$8.8 million of O&M expenses for the function of procuring electricity for SDG&E’s commodity customers. Table 2 summarizes the total non-shared O&M forecasts for the listed cost categories.

TABLE 2

Non-Shared O&M Summary of Costs

| | | | |
|------------------------------------|------------------------|------------------|--------|
| SDG&E ELECTRIC & FUEL PROCUREMENT | | | |
| Shown in Thousands of 2013 Dollars | | | |
| Categories of Management | 2013 Adjusted-Recorded | TY2016 Estimated | Change |
| A. Long Term Procurement | \$2,269 | \$2,451 | \$182 |
| B. Trading & Scheduling | \$2,948 | \$2,966 | \$18 |
| C. Middle and Back Office | \$3,352 | \$3,340 | (\$12) |
| Total | \$8,569 | \$8,757 | \$188 |

B. Long-Term Procurement

Long-Term procurement functions include the Origination and Portfolio Design department and Vice President – E&FP.

³ Order Instituting Rulemaking (“OIR”) to address Natural Gas Distribution Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions (R.14-03-003).

1 **1. Description of Costs and Underlying Activities**

2 Origination and Portfolio Design (“O&PD”)

3 The O&PD department is responsible for negotiation and execution of Power Purchase
4 Agreements (“PPAs”) to meet SDG&E’s long-term energy and capacity requirements. As their
5 title indicates, PPAs are contracts for the purchase of energy and capacity ranging from 1
6 Megawatt (“MW”) to 602 MW with terms ranging from 1 year to 30 years. The parties to these
7 contracts are companies like NRG and CalPine. Through its negotiations with these independent
8 power suppliers, O&PD executes contracts for both long-term renewable and conventional
9 resources needed to supply energy and capacity to SDG&E customers. O&PD also interfaces
10 with various regulatory agencies, including the CPUC, and participates in regulatory proceedings
11 as required to develop procurement policies and implementation of long-term and renewable
12 procurement plans and legislative mandates. For example, the Long Term Procurement Plan
13 (“LTPP”)⁴ is a reoccurring two year CPUC proceeding that integrates all of SDG&E’s activities
14 in carrying out the CPUC’s preferred loading order for resource additions. This includes
15 integrating resources such as renewables, energy efficiencies, demand response, energy storage
16 and conventional resources into a single plan.

17 Regarding how supply contracts are negotiated, the O&PD group procures renewable and
18 conventional resources in accordance with rules established by the CPUC on both a bilateral (one
19 on one with a single party) basis and through solicitations (where SDG&E issues a solicitation or
20 RFO to a group of potential parties who then submit bids). When the procurement involves an
21 RFO, O&PD conducts the RFO process and negotiates with the winning bidder toward execution
22 of a final contract. O&PD also provides input into long-range planning models related to future
23 procurement options for renewable resources. Ultimately, after following the appropriate
24 selection process, all procurement is eventually approved by the CPUC as falling within the
25 authorized need identified in the LTPP, Renewables Portfolio Standard (“RPS”) procurement
26 management plans, and/or Energy Storage plans.

27 SDG&E meets monthly with its Procurement Review Group (“PRG”) to address a variety
28 of SDG&E procurement issues and transactions. The PRG consists of “non-market participants”
29 who sign non-disclosure agreements, and includes The Utility Reform Network, Coalition of

⁴ The last approved LTPP was approved by the CPUC in Resolution E-4543 and was effective October 11, 2012.

1 California Utility Employees, the CPUC Energy Division, and Office of Ratepayer Advocates.
2 The PRG's purpose is to review and assess the details of the Investor Owned Utilities' overall
3 procurement strategy and specific proposed procurement contracts and processes prior to
4 submitting filings to the Commission.⁵

5 The O&PD is responsible for coordination of electric procurement activities related to
6 new conventional and renewable generation. This generation project-related work includes
7 contract management starting after the contract has been executed to completion of the new
8 resource for commercial operation. These responsibilities include verifying that conditions
9 precedent to the agreement have been satisfied and monitoring the project schedule, design and
10 construction to ensure it is being constructed to meet the stated performance in the contract.
11 These performance measures may include contract capacity, heat rate, reliability/availability, and
12 ancillary services. O&PD also coordinates internal SDG&E functions necessary to meet all the
13 terms and conditions of the agreement.

14 *Vice President of E&FP*

15 The Vice President of E&FP provides direction and managerial oversight for Long-Term
16 Procurement, Trading and Scheduling, and Middle-Office and Back-Office functions. This
17 involves overseeing over 60 employees within the four departments. Overall, the Vice President
18 is responsible for ensuring that E&FP plans for and acquires resources so that least-cost supply is
19 available when needed by commodity customers and that all procurement is consistent with
20 internal policies, Commission rules and decisions and CAISO tariffs. In addition, the Vice
21 President is responsible for the development of new policies designed to improve procurement.

22 **2. Forecast Method**

23 The forecast method chosen for this cost category is a five-year average. This is most
24 appropriate because work load can vary from year to year, and by using the five-year average
25 this reduces the variability between years. For example, over the time period of 2009 through
26 2013 this cost category had costs ranging between \$2,140,000 and \$2,723,000. Although using a
27 four-year average would result in a slightly lower value, SDG&E opted to use the longer term for
28 averaging this cost category in order to be consistent with the other forecast methodologies
29 chosen for the other cost categories in my testimony. Specifically, using a five-year average
30 forecast methodology, the underlying forecast is labor of \$1,968,000 and non-labor of \$363,000,

⁵ D.02-08-071

1 with 15.4 FTEs and is forecasted to rise to \$2,077,000 for labor and \$374,000 for non-labor, with
2 16.4 FTEs in 2016 due mainly to an increase in work associated with additional procurement
3 functions needed to procure energy storage and conventional resources, as described in more
4 detail below.

5 **3. Cost Drivers**

6 As noted above, the primary cost driver is the 1.0 FTE that will be added to administer
7 RFOs and to negotiate and execute contracts associated with energy storage and conventional
8 generation. In the CPUC Energy Storage Decision, D. 13-10-040, a procurement target of 165
9 MW for Energy Storage resources was established for SDG&E covering the time period 2014
10 through 2020⁶. In addition, in D.14-03-004, Track 4 of the LTPP proceeding, the CPUC
11 determined that new resources are required to meet local capacity requirement needs resulting
12 from the retirement of the San Onofre Nuclear Generating Station, as well as the mandatory
13 retirement of once-through cooling resources located in Southern California in accordance with
14 State Water Resources Control Board regulations.⁷ In particular, the Track 4 Decision authorizes
15 SDG&E to procure through an all-source RFO or through bilateral negotiations between 500 and
16 800 MW of electrical capacity in its territory to meet long term local capacity requirements by
17 the end of 2021.⁸ Such procurement must include at least 25 MW of energy storage resources as
18 part of 200 MW of preferred resources consistent with the Loading Order of the Energy Action
19 Plan.⁹

20 **C. Trading and Scheduling**

21 **1. Description of Costs and Underlying Activities**

22 Trading and Scheduling involves the following work groups in the Energy Supply &
23 Dispatch (“ES&D”) department, each of which is described in more detail below: Electric
24 Procurement & Trading , Market Operations, and Market & Policy Analysis.

⁶ D.13-10-040 OP. 2 and Appendix A, p.2.

⁷ In May, 2010, the State Water Resources Control Board adopted its statewide *Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling* (Resolution No. 2010-0020), which applies to power plants located along the California coast that rely on Once Through Cooling technology (the “OTC Policy”).- The OTC Policy implements § 316(b) of the federal Clean Water Act, which seeks to minimize the adverse environmental impacts of cooling water intake structures, and requires OTC facilities to meet certain requirements or retire by a specified compliance date.

⁸ D.14-03-004, mimeo, Ordering Paragraphs (“OPs”) 2 and 3.

⁹ *Id.*

1 Electric Procurement & Trading (“EP&T”)

2 EP&T department performs short-term planning and trading functions. EP&T manages
3 the portfolio of assets to serve bundled customers consistent with the Commission-approved
4 procurement plans. As these plans describe, SDG&E manages the portfolio in a least-cost
5 dispatch manner that includes economic dispatch of the combined portfolio of SDG&E assets,
6 purchases and sales of gas and power, and ‘hedging’. Hedging is a risk management strategy
7 used in limiting or offsetting the probability of loss from fluctuations in the prices of
8 commodities. In effect, hedging is a transfer of risk without buying insurance policies.
9 Generally this involves taking market positions that maintain SDG&E’s energy portfolio’s price
10 risk exposure within the customer risk tolerance limits set by CPUC.¹⁰

11 EP&T also plans and implements procurement strategies within a five-year time horizon.
12 They monitor and implement changes in tariffs and regulations and monitor changes to CPUC
13 regulations and requirements governing least-cost dispatch of electric and gas portfolios.

14 EP&T is responsible for management and implementation of short-term electric energy
15 procurement transactions related to dispatchable generation. EP&T conducts and oversees the
16 performance of energy or power planning studies, regulatory analyses, and short-term
17 forecasting methodologies. EP&T is responsible for planning and executing trades and
18 managing the electricity supply portfolio to economically meet customer demand in a manner
19 consistent with SDG&E’s LTPP. They also are responsible for various CPUC compliance
20 reporting functions related to ES&D activities, including the CPUC quarterly compliance report.

21 EP&T is also responsible for the management and implementation of gas procurement
22 transactions related to dispatchable generation resources (i.e., natural gas fuel for conventional
23 power plants such as gas turbines, steam turbines or combined cycle turbines). This group
24 purchases and sells natural gas and performs gas scheduling on the electronic bulletin boards of
25 the interstate and intrastate pipelines it uses to deliver fuel to its gas-fired resources, including
26 SDG&E-owned resources and contracted for tolling resources.

¹⁰ Limits are set in the LTPP. The last approved LTPP was approved by the CPUC in Resolution E-4543 and was effective October 11, 2012.

1 Finally, EP&T is responsible for the GHG compliance activities, including developing
2 procurement policies, for the GHG compliance obligation related to SDG&E's electric portfolio.
3 EP&T procures GHG allowances and GHG offsets in compliance with the limits established in
4 the LTPP.

5 Market Operations

6 Market Operations oversees the real-time scheduling and dispatch functions. SDG&E
7 staffs a Real Time desk to perform these functions around the clock. Market Operations serves
8 as the point of contact for operational administration of approximately 65 SDG&E PPAs. They
9 manage energy transactions with the CAISO of over \$1 billion dollars a year. Market Operations
10 performs CAISO scheduling activities to ensure regulatory compliance, least-cost dispatch, and
11 compliance with other constraints/requirements. Market Operations is also responsible for
12 scheduling SDG&E's own generating capacity into the CAISO's day-ahead, hour-ahead and 15
13 minute markets, and complying with CAISO dispatch instructions in accordance with Federal
14 Energy Regulatory Commission ("FERC") approved tariffs and protocols. They are also
15 responsible for forecasting day-ahead demand. Market Operations conducts analysis of and
16 manages overall performance of the scheduling and bidding strategies of ES&D. Market
17 Operations also is responsible for various regulatory reporting functions related to its least-cost
18 dispatch operations, including the ERRR Compliance regulatory filing.

19 Market & Policy Analysis ("M&PA")

20 M&PA also manages compliance with annual and monthly resource adequacy
21 requirements and purchases short-term resources as needed to satisfy its resource adequacy
22 requirements. "Resource adequacy" is a policy framework designed to provide sufficient
23 resources to the CAISO to ensure the safe and reliable operation of the grid in real time and to
24 provide appropriate incentives for the siting and construction of new resources needed for
25 reliability in the future. Specifically, via Commission decisions (pursuant to P.U. Code §380),
26 all Load Serving Entities within the CPUC's jurisdiction (i.e., investor owned utilities, energy
27 service providers, and community choice aggregators) are required to procure capacity so that
28 capacity is available to the CAISO when and where needed. SDG&E's M&PA group is required
29 to prepare system and local resource adequacy filings at the CPUC demonstrating that they have
30 procured sufficient capacity resources including reserves needed to serve its aggregate system
31 load on a monthly basis.

1 M&PA also participates in CAISO-related meetings and working groups to monitor
2 upcoming changes at the CAISO and how it will impact SDG&E's operations and ultimately
3 SDG&E's ratepayers.

4 **2. Forecast Method**

5 The forecast method chosen for this cost category is five-year average. This is most
6 appropriate because work load can vary from year to year, and by using the five year average this
7 reduces the variability between years. For example, over the time period of 2009 through 2013
8 this cost category had costs ranging between \$2,407,000 and \$3,458,000. Using the 2009-2013
9 time frame is appropriate as in 2009 the CAISO implemented the "New Market." The New
10 Market involved a renovation of the electricity markets administered by the CAISO and
11 implementation of a new network model that integrates both the supply and demand resources
12 operations of the CAISO-controlled grid, to allow for more efficient dispatch of supply resources
13 to meet demand. The five-year average in this instance happens to result in a lesser underlying
14 forecast than either a three year or base year methodology. In addition, SDG&E opted to use the
15 longer term for averaging this cost category in order to be consistent with the other forecast
16 methodologies chosen for the other cost categories in my testimony. Using a five-year average
17 forecast methodology, as described above, the underlying forecast is labor of \$2,157,000 and
18 non-labor of \$737,000, with 20.3 FTEs and is forecasted to rise to \$2,222,000 for labor and
19 \$744,000 for non-labor, with 20.9 FTEs in 2016.

20 **3. Cost Drivers**

21 The primary cost driver is 1.0 FTE that will be added mainly due to increased scheduling activity
22 associated with two new conventional resources and approximately 25 renewable generation
23 resources coming on-line between 2014 and 2016. This cost supports the company's goal of
24 performing compliance and mandated activities efficiently and effectively for SDG&E's
25 commodity customers. In addition, 0.4 FTEs will be subtracted from the average due to a
26 reduction in Cap and Trade activities for electric commodity customers. In 2015, Cap and Trade
27 activities for core gas will begin. However, additional FTEs are not forecasted to be needed
28 because existing personnel working on electric Cap and Trade activities will, beginning in 2015,
29 work on both core gas and electric and will allocate their time accordingly between the two
30 functions. Cost recovery of the 0.4 FTE of core gas labor will be addressed in R. 14-03-003.

1 **D. Middle-Office and Back-Office**

2 Middle-Office and Back-Office functions include the Settlements and Systems
3 department and Energy Risk department of the E&FP department.

4 **1. Description of Costs and Underlying Activities**

5 Settlements and Systems (“S&S”)

6 S&S is responsible for financial and accounting activities, including confirmation of
7 electric and gas transactions, annually verifying and processing over 1,600 invoices and billing
8 requests for bilateral transactions, and preparing journal entries for recording expenses and
9 revenues. Settlement activities with the CAISO include processing of daily settlement
10 statements and weekly invoices; validating settlements, including, when appropriate, the filing of
11 disputes of questionable charges; and reporting of generation and load meter data. Proposed
12 CAISO changes to its settlements process are reviewed and commented on, including
13 intervening at FERC, if appropriate.

14 S&S is also responsible for accounting for the commodity, transportation, hedging and
15 other related transactions associated with the gas burned in SDG&E-owned power plants and as
16 a result of tolling agreements. SDG&E owns 5 power plants¹¹ and manages 3 tolling
17 agreements. The S&S department is responsible for the confirmations of gas transaction;
18 verifying and processing payments; and preparing journal entries for recording the expenses and
19 revenues of gas transactions.

20 S&S contract administrators monitor and administer PPAs for Qualifying Facilities,
21 renewable energy resources and tolling agreements for combined cycle and peaking plants.
22 During 2013, S&S contract administrators were responsible for 65 PPAs.¹² This includes daily
23 interactions with the counterparties, coordinating and resolving disputes, coordinating
24 participation at quarterly meetings, invoice verifications, contract interpretations and serving as
25 points of contact. Contract administrators work closely with the settlement personnel to ensure
26 proper distribution of settlement payments and charges. They also monitor and verify various

¹¹ Miramar Energy Facility I, Miramar Energy Facility II, Palomar Energy Center, Cuyamaca Peak Energy Center and Desert Star Energy Center are further described in Carl LaPeter’s Generation Testimony Exhibit SDG&E-11.

¹² SDG&E 2013 ERRR Compliance Filing, A.14-05-026, S. Chen Testimony Table 1:Historical Purchases, p. SC-34.

1 contract terms, including scheduled maintenance, curtailments, insurance and efficiency
2 monitoring.

3 S&S is also responsible for preparing reports for monthly and annual CPUC filings and
4 for internal and external financial reporting. For example, S&S prepares the FERC form 1
5 sections related to purchased power and sales for resale. S&S personnel also prepare testimony,
6 data responses and reports for various regulatory agencies, including the CPUC and FERC, to
7 establish or revise policies within the scope of various regulatory proceedings, including ERRA
8 compliance and General Rate Case proceedings.

9 S&S is responsible for system administration for departmental software supported by
10 SDG&E's Information Technology department, including systems provided by Allegro and
11 Power Cost, Inc. Allegro and Power Cost, Inc. provide systems used to record gas and power
12 transactions and to schedule and bid power with the CAISO.

13 Energy Risk ("ER")

14 The ER department is responsible for middle-office functions, such as identifying,
15 managing, monitoring, and reporting on market, credit, financial and operational risks associated
16 with E&FP functions. For example, the ER section conducts daily reviews of electric
17 procurement physical and financial positions, including trader authority limits, counterparty
18 credit risk positions and compliance with financial liquidity/collateral limits. On a daily basis,
19 the ER section has responsibility for reviewing market pricing data which is used to develop
20 forward price curves, volatilities and correlations used for the evaluation and measurement of
21 portfolio risk and to ensure compliance with Commission-approved risk metrics¹³ and internal
22 policies. All these efforts help ensure that the energy procured on behalf of SDG&E's customers
23 is best fit and least cost.

24 This group also maintains and supports all trading and risk management related models
25 and applications. For example, ER monitors and enforces operational risk controls related to the
26 execution, recording and valuation of trades. This group is also responsible for compliance with
27 the Dodd-Frank requirements, including trade reporting and record retention activities, and
28 Sarbanes-Oxley ("SOX") 404 compliance, through testing of energy risk control activities. ER
29 also supports ES&D in the development of procurement and hedge plans, consistent with the
30 Commission approved LTPP, and monitors compliance with the approved plans. Finally, ER is

¹³ LTPP D.12-01-033

1 also responsible for reporting fixed price transactions to index publishers in accordance with
2 FERC requirements.

3 **2. Forecast Method**

4 The forecast method chosen for this cost category is five-year average. This is most
5 appropriate because work load can vary from year to year, and by using the five-year average
6 this reduces the variability between years. For example, over the time period of 2009 through
7 2013 this cost category had costs ranging between \$3,164,000 and \$3,352,000. Moreover, using
8 the 2009-2013 time frame is appropriate because in 2009 the CAISO implemented the New
9 Market. As noted above, the New Market involved a renovation of the electricity markets
10 administered by the CAISO and implementation of a new network model that integrates both the
11 supply and demand resources operations of the CAISO controlled grid, to allow for more
12 efficient dispatch of supply resources to meet demand. Although using a four-year average
13 would result in a slightly lower value, SDG&E opted to use the longer term for averaging this
14 cost category in order to be consistent with the other forecast methodologies chosen for the other
15 cost categories in my testimony. Specifically, using a five-year average forecast methodology,
16 the underlying forecast is labor of \$2,234,000 and non-labor of \$1,027,000, with 25.9 FTEs and
17 is forecasted to rise to \$2,306,000 for labor and \$1,034,000 for non-labor, with 26.8 FTEs in
18 2016.

19 **3. Cost Drivers**

20 The primary cost driver is the 1.0 FTE that will be added mainly due to increased
21 settlement and contract administration activity associated with two new conventional resources
22 and approximately 25 renewable generation resources coming on-line between 2014 and 2016.
23 In addition, 0.1 FTEs will be subtracted from the average due to a reduction in Cap and Trade
24 activities for electric commodity customers. In 2015, Cap and Trade activities for core gas will
25 begin. However, additional FTEs are not forecasted to be needed because existing personnel
26 working on electric Cap and Trade activities will, beginning in 2015, work on both core gas and
27 electric and will allocate their time accordingly between the two functions. Cost recovery of the
28 0.1 FTE of core gas labor will be addressed in R. 14-03-003.

1 **III. CONCLUSION**

2 The E&FP functions that SDG&E will undertake in 2016, as the above testimony
3 demonstrates, will expand beyond the 2013 workload, thus requiring the requested increases.
4 SDG&E requests that the Commission adopt its proposal for \$8.8 million of O&M expenses for
5 E&FP in order to allow SDG&E to meet all of its electric commodity procurement
6 responsibilities through the 2016-2018 rate case cycle.

7 This concludes my prepared direct testimony.

1 **IV. WITNESS QUALIFICATIONS**

2 My name is Sue E. Garcia. My business address is 8315 Century Park Court, San Diego,
3 CA 92123. I am employed by SDG&E as the Manager - Settlements and Systems in the E&FP
4 Department. My present duties include the settlements of all electric and fuel commodity
5 transactions as well as the management and administration of existing agreements, including
6 renewable agreements, tolling agreements, and bilateral agreements. I have been employed by
7 SDG&E since 1995. I have been in my current position since December 2011.

8 I received a B.S. in Business Administration, with an Accounting emphasis, from San
9 Diego State University. I am a Certified Public Accountant and a Certified Internal Auditor.

10 I have previously testified before the Commission.
11

APPENDIX A – GLOSSARY OF ACRONYMS

CAISO: California Independent System Operator
E&FP: Electric & Fuel Procurement
EP&T: Electric Procurement & Trading
ER: Energy Risk
ERRA: Energy Resource Recovery Account
ES&D: Energy Supply and Dispatch
FERC: Federal Energy Regulatory Commission
FTEs: full time equivalents
GHG: greenhouse gas
LTPP: Long Term Procurement Plan
M&PA: Market & Policy Analysis
MW: Megawatt
O&PD: Origination and Portfolio Design
PPAs: Power Purchase Agreements
PRG: Procurement Review Group
RFOs: Request for Offers
RPS: Renewables Portfolio Standard
S&S: Settlements and Systems
SOX: Sarbanes-Oxley