

Investigation No.: I.12-10-013  
Exhibit No.: SDGE-13  
Witness: Andrew Scates

**ERRATA TO**  
**PREPARED REBUTTAL TESTIMONY OF**  
**ANDREW SCATES**  
**ON BEHALF OF**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

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

**July 24, 2013**  
**As modified on July 26, 2013**



1           **B.     Capacity-Related Costs**

2           DRAs witness Mr. Lasko recommends both SCE and SDG&E use the identical  
3 methodology and assumptions in regards to the calculation of Capacity-Related Costs. (DRA, p.  
4 7) As Mr. Lasko points out, SCE included three components to these costs, including CAISO  
5 Capacity Procurement Mechanism (“CPM”), CAISO Standard Capacity Product (“SCP”) penalty  
6 charges, and Resource Adequacy (“RA”) replacement capacity costs. SDG&E only included  
7 CPM and RA costs in Capacity Related Costs, and included the SCP portion in the replacement  
8 cost estimate. To have consistency between both utilities, SDG&E has no objection to DRA’s  
9 request that SCP be included as a Capacity-Related Cost. SDG&E will submit an updated  
10 calculation of its replacement power costs reflecting this change prior to hearings.

11           **C.     Forced Outage Rate**

12           DRA recommends using a 1.21% annual forced outage rate as opposed to the 2.8%  
13 originally submitted by SCE.(DRA, p. 13) There were two factors leading to the difference in  
14 the outage rates. One factor was DRA recommended using a 5-year period to calculate the  
15 forced outage rate, while SCE used a 10-year window. SDG&E supports SCE’s explanation for  
16 using a 10-year window as it is a larger sample population (see SCE Rebuttal Testimony). The  
17 other factor, as stated by DRA, SCE had mistakenly calculated the outage rate, based on an  
18 outage lasting 43 days instead of the correct 4.3 days.(DRA, p. 11) Correcting for this error  
19 yields a 2.15% forced outage rate. SDG&E agrees with DRA that the 10-year period rate should  
20 be 2.15% instead of 2.8%. SDG&E will submit an updated calculation of its replacement power  
21 costs reflecting this change prior to hearings.

22           **D.     Congestion Revenue Rights (CRRs)**

23           DRA recommends including allocated Congestion Revenue Rights (CRRs) in the  
24 calculation of replacement power costs. SDG&E believes the DRA position that “the  
25 Commission to direct the two utilities to run a power flow analysis and production cost model”  
26 (DRA, p. 6) is unnecessary. Using a power flow analysis and production cost model would be  
27 onerous, delay proceedings, and would only provide speculative estimates for CRRs’ values.  
28 SDG&E differs from DRA in its view of how CRRs should be included. Also the CRRs  
29 SDG&E acquired through the CAISO allocation process were mostly done on a yearly basis  
30 prior to the SONGS outage, as stated in the testimony of Mr. Scates, where “The CRR’s obtained  
31 through the CRR allocation process are at no cost to SDG&E. Thus, the CRR’s received in the

1 allocation process would have been acquired regardless of the SONGS outage.”<sup>1</sup> Furthermore,  
2 SDG&E disagrees with DRA’s statement “SDG&E’s CRRs have generally incurred negative  
3 charges borne by ratepayers.” (DRA, p. 6) SDG&E has actually received net revenues from its  
4 CRR holdings in 2012.

5 However, SDG&E does include in its replacement power calculation the costs of CRRs it  
6 procured through the CAISO auction process. These CRRs were acquired monthly and done  
7 specifically to manage the congestion risk related to the SONGS outage.

#### 8 **E. Avoided Nuclear Fuel Cost**

9 DRA recommends excluding the avoided cost of Nuclear Fuel from the replacement  
10 energy costs. In the testimony of Mr. Lasko, he states “Following SCE’s announcement on June  
11 7, 2013 to permanently retire SONGS, the assumption that the nuclear fuel at SONGS would be  
12 used at a later date is no longer valid.” (DRA, p. 8) SDG&E agrees that due to the changed  
13 circumstances with the announced permanent shutdown of SONGS, it is no longer appropriate to  
14 treat the costs of nuclear fuel as an avoided cost. SDG&E will submit an updated calculation of  
15 its replacement power costs reflecting this change prior to hearings.

### 16 **III. RESPONSE TO TURN TESTIMONY**

#### 17 **A. Foregone Sales**

18 Mr. Woodruff’s testimony states that “I interpret SDG&E’s computations to date to be  
19 consistent with my broader definition of the term ‘replacement power cost.’” (TURN, p. 25) It is  
20 not clear what Mr. Woodruff intends by this statement. In SDG&E’s reporting of its 2012  
21 SONGS costs, in compliance with the instructions in the SONGS OII, SDG&E reports its  
22 replacement power costs in a separate category from forgone sales. The rate making question of  
23 how to account for these categories, i.e., whether, if imprudence were found, replacement power  
24 should be disallowed and foregone sales revenues also added to the disallowance, is a question  
25 for Phase 3.

#### 26 **B. Replacement Costs**

27 Mr. Woodruff’s testimony discusses “the implicit assumption in SCE’s methodology that  
28 load and generation were priced the same. As discussed in my Prepared Direct Testimony, prices  
29 at load nodes tend to exceed prices at generation nodes. But since SCE’s methodology implicitly

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<sup>1</sup> I.12-10-013 Prepared Supplemental Direct Testimony of Andrew Scates on Behalf of San Diego Gas & Electric Company, dated May 1, 2013 at p. 5.

1 assumes they are the same, the gap between load and generation costs that is paid by customers  
2 is also assumed away.” (TURN, p 18) Mr. Woodruff’s testimony does not account for the fact  
3 that under the structure of the CAISO market, the outage of SONGS does not change the volume  
4 of power purchased by the utilities at their respective DLAP prices, and the true impact to the  
5 customers is actually the lost value of the SONGS generation. The SP15 price is the best  
6 indicator for the value of the SONGS generation. As described in the direct testimony of  
7 Andrew Scates, the output from SONGS energy would have generally served demand  
8 throughout Southern California. SDG&E is paid the hourly day-ahead price from its share of the  
9 output of SONGS. The CAISO SP-15 Day Ahead Hourly Price is also the average clearing price  
10 for all generation pricing points bid or self-scheduled in the CAISO within SP-15.

### 11 **C. CRR’s Costs**

12 Mr. Woodruff asserts that the CRR’s acquired through the CAISO allocation process  
13 prior SONGS outage should be included in the calculation of replacement costs. Mr. Woodruff  
14 further states that “Any change in CRR charges that can be clearly attributed to the SONGS  
15 outages should thus be included in SDG&E’s estimates of power costs, even if such CRRs were  
16 obtained prior to the SONGS outages.” (TURN, page 26)

17 As previously stated above in response to DRA and in Mr. Scates’ direct testimony,  
18 allocated CRR’s would have been acquired anyway, thus SDG&E does not believe that TURN’s  
19 approach to accounting for the CRR’s is appropriate. The CRRs attributed to SONGS that were  
20 procured during the allocation process actually resulted in revenues, which result in a reduction  
21 to the cost of replacement power. SDG&E has provided the financial results for 2012 from the  
22 CRR’s related to SONGS, which were obtained in the CAISO’s allocation process in response to  
23 TURN-SDG&E-DR-09, which is attached hereto. SDG&E received revenues of \$1.48 million  
24 from its CRR holdings associated with SONGS in 2012.

### 25 **D. Accounting for CRR’s**

26 Mr. Woodruff expressed concerns that revenues from the CRR’s that SDG&E acquired in  
27 the monthly auction to manage congestion risk specifically related to the SONGS outage might  
28 be double counted. Mr. Woodruff states that “CRR revenues would ordinarily be credited  
29 against SDG&E rates in its regular Energy Recovery Account (ERRA) filings and be passed  
30 through the ratepayers in the process.” (TURN, p. 27) The Commission directed SCE and  
31 SDG&E to establish a memorandum account to track all costs associated with SONGS Units 2

1 and 3 that were or are incurred on and after January 1, 2012, and to the extent included in rates,  
2 collect these costs subject to refund. Because the SONGS Outage Memorandum Account  
3 (SONGS OMA) is a tracking mechanism, the net \$1.7M of CRR revenues is not double counted.  
4 All replacement power costs are accounted for in ERRRA, and are subject to refund, pending  
5 conclusion of the SONGS OII.

6 **E. SDG&E Response to Data Request**

7 Mr. Woodruff states that SDG&E did not provide cost data related to “Cost Category p”  
8 from Q4 2012 in response to TURN’s 6th Data Request. (TURN, p. 28) SDG&E has included  
9 October-December invoice data in response to TURN Data Request #9, which is attached hereto.

10 This concludes my prepared rebuttal testimony.

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# ATTACHMENT A

**TURN DATA REQUEST**  
**TURN-SDG&E-DR-09**  
**OIL.12-10-013**  
**SDG&E RESPONSE**  
**DATE RECEIVED: JULY 9, 2013**  
**DATE RESPONDED: JULY 22, 2013**

*The following questions relate to SDG&E's Exhibit No. SDGE-09-A and SDG&E's response to TURN's 6<sup>th</sup> Data Request.*

*Where reasonably practical, provide all requested workpapers in electronic Excel-compatible format with data and formulae intact and functioning.*

- (1) Does SDG&E believe any of the “market-related costs” summarized in Exhibit No. SDGE-09-A should be considered a “replacement power cost” whose recovery from ratepayers should be disallowed by the Commission in I.12-10-013? Explain SDG&E's response regarding each such cost:
  - a. “Replacement Energy Cost Estimate” described and quantified at pp. 3-6.
  - b. “Foregone Energy Sales Revenues” described and quantified at pp. 7-8.
  - c. “Capacity-Related Costs” described and quantified at pp. 8-9.
  - d. The effects of “Planned Refueling and Maintenance Outages,” which are described and quantified at p. 10.

**SDG&E Response 01:**

SDG&E believes any rate making question of how to account for replacement power costs and whether these costs should be disallowed is a question for Phase 3.

**TURN DATA REQUEST**  
**TURN-SDG&E-DR-09**  
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- (2) With reference to 5:4-10 of Exhibit No. SDGE-09-A, provide data regarding SDG&E's holdings received in the CAISO's "allocation process" of Congestion Revenue Rights (CRRs) between nodes at the San Onofre Nuclear Generating Station and various nodes representing SDG&E's load, including (if applicable) its Default Load Aggregation Point. Include in such data the quantities (in MW) of such CRRs that SDG&E held and the revenues and charges SDG&E received or incurred from such holdings in 2012. Provide such data for each month of calendar year 2012.

**SDG&E Response 02:**

The response to this question is attached

TURN DR9\_Q2\_SONGS\_CRRs.xlsx

**TURN DATA REQUEST  
TURN-SDG&E-DR-09  
OII.12-10-013  
SDG&E RESPONSE  
DATE RECEIVED: JULY 9, 2013  
DATE RESPONDED: JULY 22, 2013**

- (3) Please provide the October, November and December invoice data – which were supposed to be included in January, February and March, respectively – but were not included in the worksheet named “Cost Category p” in the file “TURN DR6\_Q1-2 SONGS OII\_2012\_04-03-13\_Revised\_06-04-13\_Redacted.xlsx” provided in response to TURN’s 6<sup>th</sup> Data Request.

**SDG&E Response 03:**

**This document is Confidential/privileged material; review and access restricted; subject to the TURN NDA, PUC Sections 454.5(g), 583, GO66-C, D.06-06-066 and D.08-04-023.**

TURN DR9\_Q3\_Cost Category p\_Confidential.pdf

**A PORTION OF THIS ATTACHMENT IS NOT INCLUDED  
DUE TO THE CONFIDENTIAL NATURE OF THE DATA**