

Docket : A.10-12-005 / 006
Exhibit Number : DRA-13
Commissioner : Ferron
ALJ : Wong
Witness : Lindsay Laserson



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
San Diego Gas & Electric Company
Southern California Gas Company
General Rate Case
Test Year 2012**

SDG&E Electric Procurement

San Francisco, California
September 1, 2011

TABLE OF CONTENTS

- I. INTRODUCTION 1
- II. SUMMARY OF RECOMMENDATIONS..... 1
- III. DISCUSSION / ANALYSIS OF (FIRST SUBJECT) 2
 - A. Overview of SDG&E's Request 2
 - B. Long Term Procurement (EP001.000)..... 3
 - C. Trading and Scheduling (EP002.000)..... 8
 - D. Middle and Back Office (EP003.000)..... 11
 - E. Resource Planning (EP005.000) 14
 - F. AB 32 Administrative Fees (EP004.000) 15

1 **SUBJECT**

2 **I. INTRODUCTION**

3 This exhibit presents the analyses and recommendations of the Division of
4 Ratepayer Advocates (DRA) regarding San Diego Gas & Electric Company's
5 (SDG&E) forecasted Electric Procurement activities of Operation and Maintenance
6 (O&M) expense requirements for Test Year (TY) 2012.

7
8 **II. SUMMARY OF RECOMMENDATIONS**

- 9 • DRA recommends \$1,785,000 for Long Term Procurement for Test Year
10 2012. This is \$726,000 less than SDG&E's estimate of \$2,511,000.
- 11 • DRA recommends \$2,478,000 for Trading and Scheduling for Test Year
12 2012. This is \$692,000 less than SDG&E's estimate of \$3,170,000.
- 13 • DRA recommends \$3,088,000 for Middle- and Back-Office functions for
14 Test Year 2012. This is \$357,000 less than SDG&E's estimate of
15 \$3,445,000.
- 16 • DRA does not take issue with SDG&E's request for \$938,000 for
17 Resource Planning for Test Year 2012.
- 18 • DRA recommends \$0 for Gas Procurement for Test Year 2012. This is
19 \$378,000 less than SDG&E's estimate of \$378,000.

1 Table 13-1 compares DRA's and SDG&E's TY2012 forecasts of Electric
 2 Procurement expenses:

3 **Table 13-1**
 4 **Electric Procurement O&M Expenses for TY2012¹**
 5 **(In Thousands of 2009 Dollars)**

Description	DRA Recommended	SDG&E Proposed	Amount SDG&E>DRA	Percentage SDG&E>DRA
(a)	(b)	(c)	(d=c-b)	(e=d/b)
Long Term Procurement	\$1,785	\$2,511	\$726	41%
Trading and Scheduling	\$2,478	\$3,170	\$692	28%
Mid and Back Office	\$3,088	\$3,445	\$357	12%
Resource Planning	\$938	\$938	\$0	0
Gas Procurement	\$0	\$378	\$378	0
Total	\$8,289	\$10,442	\$2,153	26%

6
 7 **III. DISCUSSION / ANALYSIS**

8 **A. Overview of SDG&E's Request**

9 The electric and fuel supply procurement and administration activities
 10 conducted by SDG&E's Electric Procurement and the Resource Planning
 11 Departments are necessary to ensure that SDG&E plans for and obtains
 12 resources so that supply is available when needed by commodity customers.
 13 These organizations are responsible for front office functions including long-
 14 term planning and procurement, short-term planning and procurement,
 15 scheduling, dispatching resources and middle- and back-office functions
 16 including risk management, settlements, contract administration, and resource
 17 planning.²

¹ Exh. SDG&E 09, workpapers p. 2.

² Exh. SDG&E-09, p.1.

1 The Commission should note that the Federal Energy Regulatory
2 Commission (FERC) has some concerns about Sempra/SDG&E contracting:
3 “The federal commission said the process by which SDG&E considered
4 Sempra’s offer was not transparent enough because the offer was submitted
5 one day after the deadline and SDG&E did not offer the other bidders the
6 chance to ‘refresh their pricing.’” “Further, FERC determined the RFO
7 process did not have enough oversight because an independent evaluator
8 hired by SDG&E was brought in after the auction closed, rather than before.”
9 (California Energy Markets, July 8, 2011, No. 1137, p 2). CEM also has a less
10 clear cut article on SDG&Es’ renewables procurement on p. 4.³

11 **B. Long Term Procurement (EP001.000)**

12 In account number ED001.000, Long Term Procurement, SDG&E is
13 requesting \$2.511 million in its Test Year 2012.⁴ Long Term Procurement is
14 responsible for negotiation and execution of agreements for both Power
15 Purchase Agreements (PPAs) and ownership to meet SDG&E’s long term
16 energy and capacity needs⁵. It includes the Procurement and Portfolio
17 Design (P&PD) section, the Generation and Supply Project Management
18 (G&SPM) section and the Vice President – Electric Procurement. SDG&E
19 developed its forecast by utilizing 2009 Base Year recorded data for Labor
20 and Non-Labor.⁶ No non-standard escalation (NSE) items were included in
21 this forecast. The corresponding DRA estimate for Long Term Procurement is
22 \$1.785 million, which is \$726,000 less than SDG&E’s forecast.

23 SDG&E asserts that 6 new Full Time Equivalentents (FTEs) will be added
24 to the P&PD section to handle original activities and one new FTE will be

³ California Energy Markets, July 8, 2011, No. 1137, p 2 and p.4.

⁴ Exh. SDG&E 09 Workpapers, p. 5.

⁵ Exh. SDG&E 09 Workpapers, p. 5.

⁶ Exh. SDG&E 09 Workpapers, p. 5.

1 added to the G&SPM section to handle the increase of new conventional and
2 renewable generation coming on line, for a total of 7 new FTEs. SDG&E also
3 uses the state’s phasing out of once-through-cooling (OTC) to justify the
4 addition of these new employees.

5 SDG&E states “staff is not adequate to address the growing number of
6 contracts and newly imposed regulatory challenges. SDG&E must continue
7 to negotiate and administer more contracts to meet its 33% renewable
8 obligations. In addition, various new regulatory proceedings are anticipated to
9 create additional workload in the area of combined heat and power
10 procurement, FITs and GHG compliance activities.”⁷

11 SDG&E does not need any new employees to support the activities to
12 meet the state’s new renewable portfolio standard target of serving 33% of
13 retail customers needs with renewable resource generation. DRA
14 recommends that SDG&E receive none of its requested 7 new FTEs in Long
15 Term Procurement.

16 In 2010, SDG&E served its retail electricity with 11.9% renewable
17 generation despite having until 2013 with flexible compliance filings. Data
18 compiled by the Energy Division further shows the progression of SDG&E
19 acquisition of renewable energy resources from the inception of the Renewal
20 Portfolio Standard (RPS) in 2003 to the target date of 2010. This progression
21 compellingly shows that SDG&E does not need additional employees to
22 procure for and manage California’s new RPS target of 33% by 2020.

⁷ Exh. SDG&E 09, p. 10.

1

Table 13-2

2

Large Investor Owned Utilities' RPS Procurement Data, 2003-2010⁸

		2003	2004	2005	2006	2007	2008	2009	2010
PG&E	Target (GWh)	7,022	7,733	8,454	9,178	9,941	10,732	11,547	15,554
	RPS-Eligible Procurement (GWh)	8,686	8,660	8,707	9,118	9,044	9,817	11,493	13,760
	RPS GWh as % of Bundled Sales	11.5%	12.2%	12.1%	12.6%	11.8%	12.4%	14.1%	17.7%
	Cumulative Deficit/Surplus (GWh)	1,664	2,592	2,844	2,785	1,888	973	919	-876
		2003	2004	2005	2006	2007	2008	2009	2010
SCE	Target (GWh)	11,254	11,960	12,690	13,440	14,228	15,023	15,833	15,028
	RPS-Eligible Procurement (GWh)	12,421	13,182	12,822	12,486	12,261	12,574	13,622	14,548
	RPS GWh as % of Bundled Sales	16.6%	18.7%	17.6%	16.6%	15.5%	15.8%	16.8%	19.4%
	Cumulative Deficit/Surplus (GWh)	1,167	2,390	2,522	1,569	-399	-2,848	-5,058	-5,538
		2003	2004	2005	2006	2007	2008	2009	2010
SDG&E	Target (GWh)	296	447	605	765	933	1,104	1,278	3,257
	RPS-Eligible Procurement (GWh)	550	678	825	900	881	1,047	1,784	1,940
	RPS GWh as % of Bundled Sales	3.7%	4.5%	5.2%	5.6%	5.2%	6.1%	10.2%	11.9%
	Cumulative Deficit/Surplus (GWh)	254	485	706	841	788	732	1,239	-78
		2003	2004	2005	2006	2007	2008	2009	2010
TOTAL	Target (GWh)	18,572	20,139	21,748	23,382	25,102	26,859	28,658	33,839
	RPS-Eligible Procurement (GWh)	21,657	22,520	22,354	22,504	22,185	23,438	26,900	30,249
	RPS GWh as % of Bundled Sales	13.8%	14.0%	13.7%	13.1%	12.6%	13.0%	15.4%	17.9%
	Cumulative Deficit/Surplus (GWh)	3,085	5,466	6,072	5,194	2,277	-1,143	-2,901	-6,492
		2003	2004	2005	2006	2007	2008	2009	2010

3

4

5

6

7

The data shows that SDG&E's current Long Term Procurement employees were fully equipped and able to procure renewable resources of almost 2% of SDG&E's retail services in one year from 2009-2010. SDG&E's renewable resources as a percentage of its retail sales increased from 10.2%

⁸ <http://www.cpuc.ca.gov/PUC/energy/Renewables>

1 to 11.9% in that period. Increasing SDG&E's procurement and management
2 of renewable resources as a percentage of retail sales from 11.9% in 2010 to
3 33% in 2020 would require SDG&E to add only 2.11% of new renewable
4 resources each year. SDG&E's existing employees have been able to
5 exceed this level of procurement for most of the years since Renewable
6 Portfolio Standard (RPS) program implementation began in 2003.

7 The integration of large renewable resources into the grid creates
8 operational complexities which the system operator must deal with and has
9 been successfully doing; there is no additional analytic complexity that a
10 financial analyst at SDG&E's Long Term Procurement must deal with, beyond
11 what they are already doing with existing resources. In the Commission's
12 Long-Term Procurement Planning proceeding, the Commission employed
13 consultants to explore the kinds of scenarios and resource mix that would
14 allow the state to integrate 33% renewable to the grid. Much of the integration
15 complexity that the study found had to do with access to transmission and the
16 implications of the location of new renewable for permitting, cost
17 effectiveness, and policies limiting out of state development of these
18 resources. The issue of transmission is primarily being addressed in the
19 CAISO's transmission planning process with stakeholder input and SDG&E
20 has been involved in that process for years. Similarly, developers primarily
21 deal with the implications of the availability of renewables in certain locations
22 for permitting, cost-effectiveness and other policies.

23 SDG&E has not supported the claim that it needs additional employees
24 for its Long Term Procurement based on the rationale that they are needed for
25 renewable integration and the complexities of managing 33% of retail services
26 with renewable resources. In the seven years since the Commission began
27 implementing the RPS program, much of what the Commission has done is to
28 simplify the process for meeting the RPS target. Recently, the Commission

1 authorized utilities to use Tradable Renewable Energy Credits (TRECs)
2 purchased from out-of-state renewable generators and developers to meet
3 their RPS obligations rather than execute the complex firming and shaping
4 arrangements that the large Investor Owned Utilities (IOUs) have been using
5 to procure out-of-state renewable energy resources to meet their obligations.⁹

6 SDG&E claims that the state's program to phase out plants that use
7 once-through-cooling (OTC) support the addition of these new employees:

8 The State Water Resources Control Board recently decided to
9 phase out once-through cooling for seaside power plants.
10 Although the policy may be contested by energy companies
11 concerned about the cost of compliance, including fitting new
12 infrastructure into existing facilities, SDG&E must proceed as
13 though these local facilities will be phased out and conduct RFOs
14 to replace these power plants.¹⁰

15 SDG&E has been developing and executing plans that deal with the
16 replacement of the OTC plants since 2006 or earlier. These OTC plants were
17 listed in the California Energy Commission's (CEC) Integrated Energy Policy
18 Report (IEPR) as scheduled for retirement as far back as 2005.¹¹ Thus, in
19 preparing its long term plans for the period, SDG&E used the IEPR schedule
20 of retirements and has always planned for these OTC plants being retired and
21 replaced or completely phased out. SDG&E does not own or operate any of
22 the OTC plants, except for 20% of the San Onofre Nuclear Generating Station
23 (SONGS), and while SONGS is water-cooled and listed with the OTC plants, it
24 is not scheduled for retirement on the basis of OTC mitigation.¹²

⁹ Decision (D.) 11-01-025, Decision Resolving Petitions for Modification of Decision 10-03-021 Authorizing Use of Renewable Energy Credits for Compliance with California Renewable Portfolio Standard and Lifting Stay and Moratorium imposed by D. 10-05-08.

¹⁰ **Power plants face closures** Sea cooling ban to cause retrofits or retirement for energy stations by Mike Lee, UNION-TRIBUNE STAFF WRITER, May 11, 2010

¹¹ See: 2005 Integrated Energy Policy Report, Appendix A.

¹² See: Joint Staff Agency Staff Paper, Implementation of Once-through-cooling Mitigation

1 A reduction of Labor cost in the forecast will also reduce the need for
 2 non-labor cost. Given the lack of support for SDG&E's request, DRA
 3 recommends the Commission deny any new employees and associated costs
 4 to the Long Term Procurement group.

5 **Table 13-3**
 6 **O&M Expenses for TY2012**
 7 **For Long Term Procurement**
 8 **(In Thousands of 2009 Dollars)**

Description (a)	DRA Recommended (b)	SDG&E Proposed ¹³ (c)	Amount SDG&E>DRA (d=c-b)	Percentage SDG&E>DRA (e=d/b)
Long Term Procurement EP 001.000	\$1,785	\$2,511	\$726	41%

9
 10 **C. Trading and Scheduling (EP002.000)**

11 In account number EP002.000, Trading and Scheduling, SDG&E is
 12 requesting \$3.170 million in its Test Year 2012.¹⁴ Trading and Scheduling is
 13 responsible for short term planning, trading and scheduling functions to serve
 14 bundled commodity customers. SDG&E developed its forecast by utilizing
 15 2009 Base Year recorded data for Labor and Non-labor. No non standard
 16 escalation (NSE) items were included in this forecast. The corresponding
 17 DRA estimate is \$2.478 million, which is \$692,000 less than SDG&E forecast.

18 SDG&E is requesting 4 additional FTE's for the 24 hour scheduling
 19 desk, 1 additional employee for GHG cap and trade program, and 2 FTE's
 20 currently or soon to be charging MRTUMA in Trading and Scheduling to Test
 21 Year 2012. In SDG&E-09 workpapers, SDG&E included a schedule that
 22 identifies the incremental staffing along with the major regulatory activities that
 23 have driven the need for additional resources. SDG&E states:

Through Energy Infrastructure Planning, Appendix B.

¹³ Exh. SDG&E-9 Workpapers, p.5.

¹⁴ Exh. SDG&E-9 Workpapers, p.16-17.

1 The FTEs will be working on the ES&D section's RT (Real Time)
2 desk to staff two people around the clock to manage the
3 increasing CAISO requirements and the increased portfolio
4 generation. Having the RT desk staffed in this manner will allow
5 one employee to focus on CAISO communications and one
6 employee to focus on generation rather than one employee doing
7 both functions which is what often happens with the current staff.
8 An additional FTE is required to administer the policies of the
9 GHG compliance activities.¹⁵

10 SDG&E's recorded labor and non-labor for 2009 was \$2,478,000 and
11 19 FTEs. SDG&E seeks to add new employees and asserts "It is expected to
12 rise to \$3,170,000 and 26 FTEs in 2012 for a 24% increase, due mainly to
13 increases in labor to support the New Market and the GHG compliance
14 activities."¹⁶

15 DRA recommends the Commission remove AB 32 Administrative Fees
16 from this rate case. D.10-12-026 states that utilities cannot collect AB 32
17 implementation costs in a GRC until the Commission determines in the next
18 phase of the proceeding that such costs are recoverable.¹⁷ The language
19 used in D.10-12-026 is as follows:

20 This decision authorizes the establishment of the AB 32 Fee
21 memorandum accounts proposed by the Joint IOUs. We defer to a
22 subsequent phase of this proceeding determination of whether costs
23 incurred and recorded in the memorandum accounts prior to each of
24 the Joint IOUs' next general rate case will be recoverable in rates, and
25 the appropriate manner in which any approved costs will be
26 recovered.
27

28 Thus, DRA recommends \$0 and 0 new incremental employees for AB 32
29 Administrative Fees or GHG Cap and Trade Program.

¹⁵ Exh. SDG&E 09, p.15.

¹⁶ Exh. SDG&E 09, p.15.

¹⁷ D.10-12-026 p.2.

1 In Resolution E-4093, dated June 7, 2007, the Commission established
2 the MRTU Memorandum Account (MRTUMA) to record SDG&E's incremental
3 capital-related revenue requirement and incremental operations and
4 management (O&M) expenses associated with implementing the CAISO's
5 MRTU initiative.¹⁸ SDG&E states:

6 On June 7, 2007, Commission Resolution E-4093 approved the
7 MRTUMA, in which SDG&E was authorized to record the
8 revenue requirement associated with incremental New Market
9 expenditures, less the amount previously approved in the last
10 GRC for the New Market. Under the MRTUMA, SDG&E can
11 recover any revenue requirements recorded in the memorandum
12 account in rates after SDG&E has demonstrated the
13 reasonableness of the underlying expenditures in a Commission
14 proceeding. SDG&E recently requested to recover the costs
15 through December 2009 recorded in the MRTUMA in the ERRA
16 2009 proceeding. SDG&E will continue to request recovery of
17 MRTUMA expenses in ERRA through the year 2011. After 2011,
18 SDG&E plans to shift the O&M and capital from the MRTUMA to
19 this 2012 GRC.¹⁹

20 This Resolution states "[i]ncremental in this context means that the
21 amounts SCE will record in the MRTUMA will be in addition to that portion of
22 SCE's current authorized revenue requirements for funding the CAISO's
23 MRTU initiative."²⁰ In the Test Year 2009 SCE GRC, DRA interpreted this
24 Resolution to apply to all MRTU related programs and costs, including O&M,
25 A&G and Capital. In D. 09-03-025 resolving SCE's TY 2009 GRC, the
26 Commission denied SDGE's request to find MRTU capital expenditures and
27 related O&M expenses recoverable in rates through GRC and directed

¹⁸ Resolution E-4093, dated June 7, 2007, p.1.

¹⁹ Exh. SDG&E 09, p.7.

²⁰ Resolution E-4093, p.3.

1 SDG&E to record all MRTU-related costs in the MRTU Memorandum
2 Account.²¹

3 DRA recommends that the Commission deny SDG&E's request for new
4 employees in the Trading and Scheduling Division as part of this GRC. DRA
5 recommends that SDG&E's forecast of \$3,170,000 for its Trading and
6 Scheduling Division be adjusted by \$692,000 that is related to the MRTU and
7 GHG Cap and Trade Program.²² A reduction of labor costs in the forecast
8 also will reduce the need for non-labor costs. DRA has used the 24% or
9 \$692,000 increase related to the CAISO MRTU changes in electricity markets
10 to calculate the reduction.

11 **Table 13-4**
12 **O&M Expenses for TY2012**
13 **For Trading and Scheduling**
14 **(In Thousands of 2009 Dollars)**

Description (a)	DRA Recommended (b)	SDG&E Proposed²³ (c)	Amount SDG&E>DRA (d=c-b)	Percentage SDG&E>DRA (e=d/b)
Trading and Scheduling EP 002.000	\$2,478	\$3,170	\$692	28%

15

16 **D. Middle and Back Office (EP003.000)**

17 In account number EP003.000, Middle and Back Office, SDG&E is
18 requesting \$3.445 million in its Test Year 2012.²⁴ Middle and Back Office is
19 responsible for settlement and risk management functions associated with
20 procuring electricity for bundled commodity customers and with procuring gas
21 for SDG&E's power plants or tolling plants. It includes Settlements and
22 Systems (S&S) section and Energy Risk (ER) section. SDG&E developed its

²¹ D. 09-03-025, Conclusions of Law 203 and 204.

²² Resolution E-4093, p.3.

²³ Exh. SDG&E-9 Workpapers, p.14.

²⁴ Exh. SDG&E-9 Workpapers, p. 23.

1 forecast by utilizing 2009 Base Year recorded data for Labor and Non-labor.
2 No NSE items were included in this forecast.

3 SDG&E's total recorded labor and non-labor for 2009 was \$3,088,000,
4 with 27.4 FTEs and is forecasted to rise to \$3,445,000 with 31.4 FTEs in 2012
5 due mainly to increased contracts and GHG compliance activities.²⁵

6 Regarding the requested increase for 4 new FTEs, SDG&E states:

7 One FTE will be added to perform the invoice and reporting
8 associated with the GHG compliance. Specifically, S&S will be
9 required to perform the contract administration, contract
10 monitoring and settlement functions for GHG allowance
11 transactions, procured in relation to SDG&E's GHG producing
12 utility-owned generation and gas tolling contracts. One FTE will
13 be added to perform Systems Administration related to the
14 Allegro System. This position is needed due to increase
15 complexity of CAISO requirements and PPAs and the ongoing
16 implementation of system enhancements and upgrades to
17 improve system functionality. Two FTEs will be added to perform
18 settlements and contract administration due to the increase of
19 number of contracts as well as the complexity of the contracts
20 resulting in more complex and increased billing, settlement and
21 administration obligations.²⁶

22

23 As discussed above in Long Term Procurement (section #B), SDG&E
24 does not need additional employees to procure and manage California's RPS
25 of 33% by 2020. DRA also notes that there is overlap between these areas.
26 For example, increases in renewable procurement results in reduced need for
27 AB32 activities and OTC is managed and resolved through integrated
28 resource planning. Moreover, for every percentage of renewable added, one
29 can expect that a proportionate percentage of fossil fuel resources is
30 replaced.

²⁵ Exh. SDG&E 09, p.18.

²⁶ Exh. SDG&E 09, p.18.

1 Similarly, as new regulatory proceedings and policy filings arise, old
2 ones are resolved. In the last two or three years, the Commission was
3 intensively invested in developing Resource Adequacy (RA) standards and
4 capacity products for California's electricity market. This required the IOUs to
5 make numerous filings, attend many workshops and participate in many
6 proceedings, such that SDG&E has assigned Middle and Back Office
7 employees permanently to RA as it claims to have done in LTPP (Long Term
8 Procurement Plan). However, RA issues are substantially resolved. While
9 the Commission waits for additional studies, very little regulatory activity has
10 taken place. If the addition of new regulatory policies supports SDG&E's
11 request for new employees, then the completion of old regulatory proceedings
12 should negate the need for new employees and allow employees previously
13 working on the completed proceedings to take on new obligations.
14 Also, as discussed in Trading and Scheduling, DRA recommends the
15 Commission remove AB 32 Administrative Fees from this rate case. D.10-12-
16 026 states that utilities cannot collect AB 32 implementation costs in a GRC
17 until the Commission determines in the next phase of the proceeding that
18 such costs are recoverable.²⁷

19 For these reasons, DRA recommends that SDG&E's forecast of
20 \$3,445,000 for its Middle and Back Office Division be reduced by \$357,000,
21 which represents the cost for additional employees that are related to GHG
22 Cap and Trade Program Compliance, Systems Administration, and Contract
23 Administration and Settlements. A reduction of labor costs in the forecast
24 also will coincidentally reduce the need for non-labor costs. DRA estimates
25 \$3,088,000 for the Middle and Back Office group, which is \$357,000 lower
26 than SDG&E's 2012 Test Year forecast.

27

²⁷ D.10-12-026 p.2.

1
2
3
4

Table 13-5
O&M Expenses for TY2012
For Middle and Back Office
(In Thousands of 2009 Dollars)

Description (a)	DRA Recommended (b)	SDG&E Proposed ²⁸ (c)	Amount SDG&E>DRA (d=c-b)	Percentage SDG&E>DRA (e=d/b)
Middle and Back Office EP003.000	\$3,088	\$3,445	\$357	12%

5

6 **E. Resource Planning (EP005.000)**

7 In Account number EP005.000, Resource Planning, SDG&E is
8 requesting \$938,000 in its Test Year 2012.²⁹ Resource Planning is
9 responsible for planning the long-term electric generation needs of SDG&E's
10 bundled customers, as well as evaluation of future policy options. The
11 department is responsible for assessing how customers needs will be
12 impacted by both changes in the market and generation additions and how
13 the impacts of meeting state's resource loading order and the implication
14 associated with the changing market. They review the supply of generating
15 resources available to meet SDG&E's resource adequacy obligations and the
16 staff supports numerous proceedings for SGD&E before the CPUC and the
17 CEC (California Energy Commission).

18 The total recorded for labor and non-labor for 2009 was \$938,000, with
19 6.8 FTEs. No incremental changes over the 2009 Base Year Level have
20 been forecasted for 2012 as the workload is expected to remain the same for
21 the Resource Planning Department over the next GRC cycle. DRA reviewed
22 SDG&E's testimony, workpapers, data request responses, and historical
23 expense levels for this line item and the forecast appears to be reasonable.

24

²⁸ Exh. SDG&E-9 Workpapers, p.23.

²⁹ Exh. SDG&E-9 Workpapers, p. 31.

1
 2
 3
 4
Table 13-6
O&M Expenses for TY2012
For Resource Planning
(In Thousands of 2009 Dollars)

Description (a)	DRA Recommended (b)	SDG&E Proposed ³⁰ (c)	Amount SDG&E>DRA (d=c-b)	Percentage SDG&E>DRA (e=d/b)
Resource Planning EP005.000	\$938	\$938	\$0	0%

5

6 **F. AB 32 Administrative Fees (EP004.000)**

7 In account number EP004.000, AB 32 Administrative Fees, SDG&E is
 8 requesting \$378,000 for administrative fees associated with California Air
 9 Resource Board (CARB) Greenhouse Gas (GHG) emissions. CARB GHG
 10 emission fees of AB 32 require electric generating units in California to pay
 11 annual fees for each megawatt-hour (MW-hr) of net generated by combustion
 12 of natural gas and reported pursuant to CARB's mandatory GHG reporting
 13 rule.³¹ SDG&E asserts that fees for imported electricity in 2010, 2011, and
 14 2012 will be approximately \$94,000 based on 2007 direct fossil fuel
 15 purchases SDG&E imported from out of state.³² Also, SDG&E used
 16 \$213,000, 2008 reported GHG emissions from European Geosciences Union
 17 (EGU) emissions for 2010-2012.³³ SDG&E plans to acquire El Dorado in 2011
 18 and it expects EGU emissions in 2012 to increase to \$107,000. The total
 19 SDG&E is requesting for AB 32 Administrative Fees is \$378,000 in 2012.³⁴

20 DRA recommends the Commission remove AB 32 Administrative Fees
 21 from this rate case. D.10-12-026 says that utilities cannot collect AB 32

³⁰ Exh. SDG&E-9 Workpapers, p.31.

³¹ SDG&E 09, p. 20.

³² SDG&E 09, p. 20.

³³ SDG&E 09, p. 20.

³⁴ SDG&E 09, p. 20.

1 implementation costs in a GRC until the Commission determines in the next
2 phase of the proceeding that such costs are recoverable.³⁵ The language
3 used in D.10-12-026 is as follows:

4 This decision authorizes the establishment of the AB 32 Fee
5 memorandum accounts proposed by the Joint IOUs. We defer to a
6 subsequent phase of this proceeding determination of whether costs
7 incurred and recorded in the memorandum accounts prior to each of
8 the Joint IOUs' next general rate case will be recoverable in rates, and
9 the appropriate manner in which any approved costs will be
10 recovered.

11
12 Thus, DRA recommends \$0 for AB 32 Administrative Fees.

13 **Table 13-7**
14 **O&M Expenses for TY2012**
15 **For AB 32 Administrative Fees**
16 **(In Thousands of 2009 Dollars)**

Description (a)	DRA Recommended (b)	SDG&E Proposed³⁶ (c)	Amount SDG&E>DRA (d=c-b)	Percentage SDG&E>DRA (e=d/b)
AB 32 Admin Fees EP004.000	\$0	\$378	\$378	NA

17

³⁵ D.10-12-026 p.2.

³⁶ Exh. SDG&E-9 Workpapers, p.37.