

Docket No.: A.24-05-009

Exhibit No.: CalCCA-07

Date: November 12, 2024

Sponsor/Witness: Dickman

EXHIBIT CalCCA-07

**Select Pages from Application 24-05-010, Exhibit SDGE-16, Updated Prepared Direct
Testimony of Sheri Miller (Oct. 21, 2024)**

Application No.: A.24-05-010XXX
Exhibit No.: SDGE-165
Witness: Sheri Miller

UPDATED PREPARED DIRECT TESTIMONY OF
SHERI MILLER
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY

*****REDACTED – PUBLIC VERSION*****

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



May-October 215, 2024

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TO D.16-08-024, *et al.*

ATTACHMENT C - FORECASTED 2024 YEAR END BALANCE OF PABA (**Confidential**)

1 groups as load departs. SDG&E is aware that PG&E is also considering changes to its O&M
2 allocation methodology but SDG&E believes that its proposal stands on its own as the most
3 equitable method, and considers it to be the least affected by potential fluctuations in the energy
4 market.

5 At the time of this filing, SDG&E is awaiting a decision in its current GRC Application
6 (A.22-05-016) which may affect the amount of O&M described in this section. If SDG&E
7 receives a decision that updates the amount of O&M revenue requirement, the updated amount
8 will be included at the time of the implementation of changes approved in SDG&E's GRC
9 Application, which changes the amount of O&M revenue requirement, this amount will be updated
10 in the October Update filing.

11 III. PCIA BENCHMARKS

12 Pursuant to D.22-01-023, Energy Division issues updated PCIA market price benchmarks
13 ("MPB") in the beginning of October. ~~The~~is May filing of the 2025 ERRa Forecast useds the
14 latest available benchmarks to calculate PCIA, shown in Table 1 below, that were received from
15 Energy Division on October 2, 2023. ~~On~~In October 4th of 2024, Energy Division ~~will~~ issued
16 final new 2024 benchmarks, which were revised on October 11th with an errata for the Renewable
17 Portfolio Standard ("RPS") benchmark, and SDG&E will submit an updated 2025 ERRa Forecast
18 in its October Update incorporating the new benchmarks, and Table 1 below willhas been updated
19 accordingly. The final 2024 benchmarks have also been used to prepare the forecasted 2024
20 PABA year-end balance in this update filing.

21 **Table 1 – 2024 SDG&E Forecast and Final Benchmarks**~~Adders~~
22

	<u>2024 Forecasted</u> <u>MPB</u>	<u>2024 Final MPB</u>
Energy Index On-Peak	\$68.30 (\$/MWh)	<u>n/a</u>
Energy Index Off-Peak	\$62.59 (\$/MWh)	<u>n/a</u>

System RA	\$15.23 (\$/kW-month)	<u>\$28.65 (\$/kW-month)</u>
Local RA	\$8.60 (\$/kW-month)	<u>\$17.21 (\$/kW-month)</u>
Flexible RA	\$9.12 (\$/kW-month)	<u>\$12.89 (\$/kW-month)</u>
Renewable Portfolio Standard (“RPS”) adder – REC	\$31.73 (\$/MWh)	<u>\$54.56 (\$/MWh)</u>

1
2 [Energy Division also provided the 2025 Forecast Market Price Benchmarks shown in](#)
3 [Table 2 below.](#)

4 **Table 2 – 2025 SDG&E Forecast Benchmarks**

	<u>Forecast 2025 MPB</u>
<u>Energy Index On-Peak</u>	<u>\$41.54 (\$/MWh)</u>
<u>Energy Index Off-Peak</u>	<u>\$47.84 (\$/MWh)</u>
<u>System RA</u>	<u>\$42.54 (\$/kW-month)</u>
<u>Local RA</u>	<u>\$9.99 (\$/kW-month)</u>
<u>Flexible RA</u>	<u>\$14.16 (\$/kW-month)</u>
<u>Renewable Portfolio Standard (“RPS”) adder - REC</u>	<u>\$71.24 (\$/MWh)</u>

5
6 D.23-06-006 requires SDG&E to calculate a factor to be multiplied by the Commission-
7 provided energy benchmarks, as described in Appendix B of the decision. The factor is a measure
8 of the difference between a three-year historical average of actual energy revenues received for
9 PCIA resources and the actual average CAISO SP15 day ahead market prices. In accordance with
10 D.23-06-006, SDG&E has completed its calculation of its weighting factors to be used in its 2025
11 ERRA Forecast filing, using historical data from the last three full years (2021, 2022, and 2023).
12 This calculation is provided in the file “CONFIDENTIAL SDG&E 2025 ERRA Forecast Energy
13 Index calculation workpaper”.

SDG&E then used the issued on-peak and off-peak forecast energy indexes together with the updated energy factor to calculate the forecasted weighted average price of the energy component of the contract attributes. This price is then multiplied by the forecasted hourly generation for each resource to calculate the expected market value of the PCIA resource generation in 2025. This expected market value represents the amount of CAISO revenue that SDG&E expects to receive for its PCIA resources, including contracted resources and UOG. This amount is presented in Ms. Felan’s testimony in Table 8 “PABA revenue requirement,” labeled “Supply ISO Revenues.” The actual CAISO revenues will be recorded in PABA each month when they are received by SDG&E, and the revenue will partially offset the costs of the PCIA resources.

2025 SDG&E Forecasted PCIA RA

D.22-06-050 adopted a 24-hour slice of day (“SOD”) approach to RA program requirements. At the time of this filing, no changes to the PCIA RA methodology for SOD have been discussed in front of the Commission, and therefore no changes have been approved. The Scoping Memo to this proceeding indicates that the ERRA Forecast is not the appropriate proceeding to address changes to any previously approved rate or benchmark calculations. SDG&E is therefore making no such changes to the PCIA methodology for RA or the Indifference Amount in this filing. Definitions of SDG&E’s 2025 RA components are shown below.

Table 3 – 2025 PCIA RA

<u>PABA Resource Portfolio</u>	<u>SDG&E’s RA Compliance</u>	<u>MCAM RA Sales</u>	<u>RA RFO Sales</u>	<u>Additional RA Sales</u>	<u>Unsold RA</u>
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<u>Capacity of the portfolio is based on NQC for purposes of calculating PCIA.</u>	<u>= CPUC compliance requirement</u> <u>+ a 17% planning reserve margin (approved in D.24-06-004 and discussed in Mr. Elias' rebuttal testimony)</u> <u>+ buffer (amount of capacity is described in Mr. Elias' testimony)</u>	<u>Volumes have been updated for revised contracts per D.23-12-014 and Advice Letter 4516-E.</u>	<u>Volumes that were sold in the 2025 year-ahead solicitation.</u>	<u>Additional Volumes that may also be sold. The percentage of remaining RA likely to sell is assumed to vary by month due to seasonality.</u>	<u>=Resource NQC</u> <u>Less Compliance</u> <u>Less MCAM sales</u> <u>Less RFO Sales</u> <u>Less additional assumed sales</u> <u>= Unsold RA.</u>
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SDG&E's retained RA in 2025 consists of its compliance requirement, a planning reserve margin, and a buffer in certain months. To calculate the forecast market value of ~~the RA attributes of the resources~~ the retained RA, each PCIA resource is assigned to one of the Local, Flex, or System RA categories, based on the RA category that the resource most commonly serves, and if a resource serves more than one category, Local is assigned first if applicable, then Flex, and then System. The most updated monthly net qualifying capacity ("NQC") listing is obtained from the CAISO website, and an average monthly NQC value for each resource is calculated. ~~The resource's NQC value is then multiplied by the assigned RA benchmark to calculate the forecasted market value of the RA for 2025. Adjustments are made for RA forecasted to be sold during the year. Additional adjustments are made to account for the amount of RA actually expected to be needed for compliance after taking departed load into consideration, if necessary.~~ SDG&E's share of MCAM capacity is counted first for compliance, and the remaining compliance capacity needed is counted from other non-MCAM PCIA-eligible and CAM-eligible resources.

1 The retained volumes are multiplied by the RA MPBs to calculate the forecasted market
2 value, which is included in PABA as a offset to expense.- ~~The resulting forecast~~ market value for
3 contract resources is then included in the ERRA revenue requirement as an expense, as it
4 represents the value of the RA attributes which SDG&E retained to use for the RA compliance
5 obligations on behalf of its bundled customers. The market value associated with UOG resources
6 is excluded from ERRA because the UOG costs are recovered in NGBA, and were previously
7 approved for recovery in D.19-09-051, which approved SDG&E's 2019 GRC Application (A.17-
8 10-007).

9 ~~D.22-06-050 adopted a 24-hour slice of day ("SOD" approach to RA program~~
10 ~~requirements. It is possible that in the future, the PCIA methodology for RA may need to be~~
11 ~~changed to accommodate the SOD approach. At the time of this filing, however, no changes to~~
12 ~~the PCIA RA methodology for SOD have been discussed in front of the Commission, and~~
13 ~~therefore no changes have been approved. SDG&E is therefore making no such changes to the~~
14 ~~PCIA methodology for RA in this filing, and the methodology is consistent with prior years'~~
15 ~~filings.~~

16 IV. SALES OF RESOURCE ADEQUACY

17 Pursuant to D.22-05-015, SDG&E has signed bilateral sales agreements with LSEs in its
18 territory to sell resource adequacy from resources subject to MCAM cost recovery. D.23-12-014
19 further refined this directive by ordering the IOUs to revise the methodology of calculating the
20 amount of MCAM RA that was to be sold to each LSE, effectively raising the amount of RA
21 available for sale beginning on January 1, 2025. On September 20, 2024, SDG&E filed AL 4516-
22 E with amendments to its original MCAM RA sales contracts. The MCAM volumes that are
23 estimated to be sold for 2025 delivery pursuant to these decisions are removed from the vintage