State of California
State Energy Resources Conservation and Development Commission

In the Matter of:	)	Docket # 09-AFC-03
	)	
Mariposa Energy Project	)	
	)	Robert Sarvey's Opening Testimony
	)	Socioeconomics
_____	)	

Opening Socioeconomics Testimony of Robert Sarvey

PG&E's Residential Electric Rates are among the highest electric rates in the country. The average residential rate per kilowatt hour in the United States in September of 2010 was 11.97 cents.[1] PG&E's residential electric rates by comparison were 16.3 cents per kilowatt over 25% higher. PG&E's electric rates have risen faster than inflation in recent years. PG&E's average bundled electric rates for residential service rose from 12.7 cents per kilowatt hour (KWh) in 2004 to 16.3 cents/KWh in 2009, an increase of 28.3% over five years.[2]

The CPUC adopted PG&E's current Long Term Procurement Plan in D.07-12-052. Under its adopted LTPP, the CPUC authorized PG&E to procure 800-1200 MW plus an additional 312 MW to replace the failed Eastshore and Bullard Projects for a total of 1,112- 1,512 MW. Subsequently in A. 09-09-021 the CPUC decided that PG&E's procurement authority should be limited to 1138- 1188 MW.[3] The decision to limit PG&E's procurement to that level was based on the CEC's 2009 IEPR forecast of peak demand.[4] The CEC Staff's most recent demand report the "Revised Short Term Peak Demand Forecast for 2011-2012" predicts that PG&E's demand in its service territory is 912 MW less than the forecast from the 2009 IEPR.[5] Unfortunately for the ratepayers PG&E signed contracts for 1,743 MW of new generation in a successful attempt to fatten their ratebase. The 1,743 MW is 555 MW more than the CPUC authorized in D. 10-07-045.

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[1] http://www.eia.doe.gov/cneaf/electricity/epm/epm_sum.html

[2] CPUC Decision D. 10-07-45 Page 40 Footnote 44 "PG&E's average bundled electric rates for residential service rose from 12.7 cents per kilowatt hour (KWh) in 2004 to 16.3 cents/KWh in 2009, an increase of 28.3% over five years. (http://www.cpuc.ca.gov/NR/rdonlyres/6E9249FE-922C-46F4-B7EA66F3C56D81A6/0/AnnualAverageBundledCustomerRates2000_2009_Corrected.PPT).

[3] PG&E's procurement to the bottom of the range established in D.07-12-052, we determine that PG&E should procure between 950 - 1000 MW of new generation resources. D. 10-07-045 Page 33 http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/121605.pdf

[4] D. 10-07-045 Page 52 Finding of FACT Number 11 and 12. ["11. No party in this proceeding disputes that the CEC's 2009 IEPR forecast of peak demand for the PG&E planning area in 2015 is less than in the 2007 CEC forecast relied upon in D.07-12-052. 12. Given reporting errors and changes in demand in its service territory, PG&E only needs to procure 950 - 1000 of its previously approved MW allotment."] http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/121605.pdf

[5] Garcia-Cerrutti, Miguel, Tom Gorin, Chris Kavalec, Lynn Marshall. 2010. *Revised Short-Term (2010-2012) Peak Demand Forecast* Draft Staff Report. California Energy Commission, Electricity Supply Analysis Division. Publication Number: CEC-200-2010-011-SD http://www.energy.ca.gov/2010publications/CEC-200-2010-011/CEC-200-2010-011-SD.PDF Page 14

The impacts to ratepayers are significant. Overprocurement burdens ratepayers by making them pay for assets that will be underused. According to the CAL-ISO 2010 summer assessment PG&E currently enjoys a 38.5 % Planning Reserve margin in its service territory.

Table 1

Summer 2010 Supply & Demand Outlook

Resource Adequacy Planning Conventions	ISO	SP26	NP26
Existing Generation[1]	49,807	23,326	26,481
Retirements (known/expected)[2]	(6)	0	(6)
High Probability CA Additions	1,086	1,057	29
Hydro Derates	0	0	0
Net Interchange (Moderate)	10,100	9,200	2,050
Total Net Supply (MW)	60,988	33,583	28,555
Demand (1-in-2 Summer Temperature)	47,139	27,198	21,154
DR & Interruptible Programs[3]	2,403	1,668	734
Planning Reserve[4]	**34.5%**	**29.6%**	**38.5%**

[1] as of 3/22/2010 (refer to Table 8)
[2] as of 3/22/2010 (refer to Table 8)
[3] (refer to Table 9)
[4] Planning Reserve calculation (Total Net Supply + Demand Response + Interruptibles)/ Forecast Demand)-1.

6

This 38.5 % Planning reserve margin does not include an additional 2,919 MW of approved projects some of which is currently under construction.[7] The impacts of idle generation are extremely significant.

For example the GWF Peaker Plant produced approximately 21,200 MW in 2009 according to the Supplemental Staff Assessment.[8] According to the CAL-ISO contract the project developer receives 180.85 dollars a k/w year as a capacity payment.[9] The capacity payment alone not including the start up and variable overhead payments is approximately $29,659,400. That would equate to almost $1,400 a MW for the 2009

[6] CAL-ISO 2010 Summer Loads and Resources Operations Preparedness Assessment May 10, 2010 Page 4 http://www.caiso.com/2793/2793ae4d395f2.pdf
[7] Oakley, Mairposa, Colusa, Russell City, GWF Tracy Combined Cycle, Los Esteros Upgrade
[8] SSA Page 4.1-82
[9] http://www.cers.water.ca.gov//pdf_files/power_contracts/gwf/051101_gwf_final_ppa.pdf Table 2.

GWF Peaker Production without considering the variable $4.25 a megawatt charge for overhead and maintenance expenses provided in the contract.

The costs incurred per megawatt by the ratepayers for the Tracy Peaker Plant output is not unusual. For the Mariposa Project Energy Commission staff conducted an analysis of operating hours of peaking facilities including smaller peaking facilities utilizing data from 2001 to 2008 and found that in the average year, the average peaking unit operated about 300 hours.[10] This underutilization of natural gas fired generation is very costly to the ratepayers especially seniors and low income ratepayers.

The costs of PG&E's over procurement of 555 MW combined with a 38.5% 2010 planning reserve margin and an additional 2,919 MW of natural gas fired generation with approved contracts at the CPUC is a significant socioeconomic impact to the ratepayers. The above market costs of the MEP could be justified if the project was needed for reliability. In light of the large planning reserve margin, the 2009 IEPR forecast, and the CPUC determination to limit PG&E's procurement no argument can be made that the MEP is needed for reliability.

The underutilized Tracy Peaker Project is around 7 miles away from the MEP and connects to the Tesla Substation. The Tracy Project has received approval from the CEC and the CPUC to upgrade to a combined cycle unit supplying an additional 145 MW[11] of generation.[12] In Contra Costa the CPUC has approved contracts for the nominal 719-megawatt (MW) Marsh Landing Project[13] consisting of four simple cycle natural gas-fired combustion turbines and the Oakley Project[14] a nominal 586 MW fast start combined cycle project. The Los Esteros Critical Energy Facility also has been approved for an upgrade of 109 MW.[15] In combination with the MEP this amounts to 555 MW of overprocurement as determined by the LTPP process.

The CEC staff's analysis fails to identify, quantify, or mitigate this significant impact under CEQA to the ratepayers. Additionally ratepayer fund are finite and the overprocurement of natural gas resources has a significant impact to the financing of the States RPS and Greenhouse Gas goals.

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[10] SSA Page 4.1-21
[11] 145 MW Peak July Conditions
[12] http://www.energy.ca.gov/sitingcases/tracyexpansion/index.html
[13] The Marsh Landing Project has already Received CEC approval. 719 MW Peak July Conditions http://www.energy.ca.gov/2010publications/CEC-800-2010-017/CEC-800-2010-017-CMF.PDF
[14] The CEC has not approved the Oakley Project. 586 MW Peak July Conditions
[15] http://www.energy.ca.gov/2005publications/CEC-800-2005-004/CEC-800-2005-004-CMF.PDF

Resume of Robert Sarvey

Academic Background

BA Business Administration California State University Hayward 1975
MBA California State University Hayward 1985

Experience

San Joaquin Valley Air Pollution Control District Citizens Advisory Board Industry Representative: Analyzed proposed air quality regulations and made recommendations to the Governing Board for approval.

GWF Peaker Plant 01-AFC-16: Participated as an Intervenor in the project and helped negotiate and implement a 1.3 million dollar community benefits program. Successfully negotiated for the use of local emission reduction credits with GWF to offset local air quality impacts.

East Altamont Energy Center 01-AFC-14: Participated as an Intervenor and helped develop the conditions of certification for hazardous materials transportation, air quality, and worker safety and fire protection. Provided testimony for emergency response and air quality issues.

Tesla Power Project 01- AFC-04: Participated as an Intervenor and provided air quality testimony on local land use and air quality impacts. Participated in the development of the air quality mitigation for the project. Provided testimony and briefing which resulted in denial of the PG&E's construction extension request.

Modesto Irrigation District 03-SPEE-01: Participated as Intervenor and helped negotiate a $300,000 air quality mitigation agreement between MID and the City of Ripon.

Los Esteros: 03-AFC-2 Participated as an Intervenor and also participated in air quality permitting with the BAAQMD. Responsible for lowering the projects permit limit for PM-10 emissions by 20%.

SFERP 4-AFC-01: Participated as an Intervenor and also participated in the FDOC evaluation. My comments to the BAAQM D resulted in the projects PM -10 emission rate to be reduced from 3.0 pounds per hour to 2.5 pounds per hour by the District. Provided testimony on the air quality impacts of the project.

Long Beach Project: Provided the air quality analysis which was the basis for a settlement agreement reducing the projects NOx emissions from 3.5ppm to 2.5ppm.

ATC Explosive Testing at Site 300: Filed challenge to Authority to Construct for a permit to increase explosive testing at Site 300 a DOE facility above Tracy. The permit

was to allow the DOE to increase outdoor explosions at the site from 100 pounds per charge to 300 pounds per charge and also grant an increased annual limit on explosions from 1,000 pounds of explosive to 8,000 pounds of explosives per year. Succeeded in getting the ATC revoked.

CPUC Proceeding C. 07-03-006: Intervened in proceeding and negotiated a settlement with PG&E to voluntarily revoke Resolution SU-58 which was the first pipeline safety waiver of GO112-E granted in the State of California.

East shore Energy Center: 06-AFC-06 Intervened and provided air quality testimony and evidence of cancellation of Eastshore's power purchase agreement with PG&E.

Colusa Generating Station: 06-AFC-9 Participated as air quality consultant for Emerald Farms. Filed challenge to the PSD Permit.

CPUC proceeding 08-07-018: Tesla Generating Station CPCN participated in proceeding which was dismissed due to motion by IEP. Reviewed all filings, filed protest, signed confidentiality agreement and reviewed all confidential testimony.

GWF Tracy Combined Cycle 08-AFC-07: Participated in negotiation of the Air Quality Mitigation Agreement with the San Joaquin Valley Air Pollution Control District and GWF.

CPUC Proceeding 09-09-021: Provided Testimony on the need, cost, and viability of the projects PG&E requested approval for.

CPUC Proceeding A. 09-04-001: Represented CARE in negotiating an all party settlement in the proceeding which was subsequently violated by PG&E.

CPUC Proceeding A. 09-10-022: Provided confidential evaluation of the cost of the DWR Upgrades and viability of the projects.

DECLARATION OF
Robert Sarvey, MBA, BS

I Robert Sarvey declare as follows

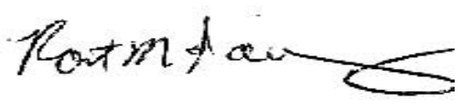
1) **I prepared the Opening Socioeconomics Testimony of Robert Sarvey on the MEP.**

2) **It is my professional opinion that the prepared testimony is valid and accurate with respect to the issues addressed therein.**

3) **I am personally familiar with the facts and conclusions related in the testimony and if called as a witness could testify competently thereto.**

4) **A copy of my professional qualifications is attached.**

I declare under penalty of perjury , under the laws of the State of California, that the forgoing is true and correct to the best of my knowledge and belief, and that this declaration was executed on January 7, 2011 in Tracy, California.



Signed 2-7-11

DECLARATION OF SERVICE

I, Robert Sarvey declare that on January 7 , 2011 I served copies of Robert Sarveys Opening Testimony on Socioeconomics. The document has been sent to both the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit, in the following manner:
(C*heck all that Apply*)

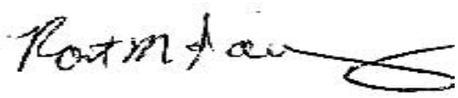
For service to all other parties:
_ x_ sent electronically to all email addresses on the Proof of Service list;
___ by personal delivery or by depositing in the United States mail at Sacramento, California, with first-class postage thereon fully prepaid and addressed as provided on the Proof of Service list above to those addresses **NOT** marked "email preferred."

AND
For filing with the Energy Commission:
__ sending an original paper copy and one electronic copy, mailed and emailed respectively, to the address below (preferred method);

OR

_____depositing in the mail an original and 12 paper copies, as follows:
CALIFORNIA ENERGY COMMISSION

Attn: Docket No. 09-AFC-3
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512
docket@energy.state.ca.us
I declare under penalty of perjury that the foregoing is true and correct.



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