

Application No.: A.25-06-XXX
Exhibit No.: SDGE-4
Witness: Stephen M. Elliott

PREPARED DIRECT TESTIMONY OF

STEPHEN M. ELLIOTT

ON BEHALF OF

SAN DIEGO GAS & ELECTRIC COMPANY

PUBLIC VERSION

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



JUNE 2, 2025

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

**PREPARED DIRECT TESTIMONY OF
STEPHEN M. ELLIOTT
ON BEHALF OF SDG&E**

I. INTRODUCTION

This testimony presents San Diego Gas & Electric Company's ("SDG&E") procurement of Greenhouse Gas ("GHG") compliance instruments during the record period of January 1, 2024 through December 31, 2024 for compliance with California's Cap-and-Trade Program and recently issued Decision ("D.") 21-05-004.

By way of background, D.19-04-016 approved a Petition for Modification ("PFM") submitted jointly by SDG&E, Pacific Gas and Electric Company ("PG&E"), and Southern California Edison Company ("SCE"), and upon the adoption of the PFM and its new Attachment C, the prior Commission decisions (*i.e.*, D.14-10-033 as corrected in D.14-10-055 and D.15-01-024, inclusive of their versions of Attachment C) were superseded in their entirety.

My testimony describes the Cap-and-Trade Program and demonstrates that: (1) SDG&E procured compliance instruments during the record period in a manner consistent with Track III of the Long-Term Procurement Plan ("LTTP") D.12-04-046 and the related Commission-approved SDG&E 2014 Bundled Procurement Plan ("BPP"), implemented by SDG&E Advice Letter ("AL") 2850-E; and (2) SDG&E has complied with the directives in D.21-05-004.¹ Based

¹ Greenhouse Gas product procurement is addressed in Track III of the Long-Term Procurement Plan Proceeding in D.12-04-046 at 40-59, Findings of Fact 12, 13; Conclusions of Law 8, 9, and Ordering Paragraphs 8-10. Appendix F of SDG&E's Bundled Procurement Plan, which was originally approved in AL 2362-E-A, approved November 14, 2012, and effective October 11, 2012, by Resolution ("Res.") E-4543 and amended in AL 2831-E, approved January 26, 2016 and effective January 1, 2016, and later amended again in AL 2850-E-A, approved March 30, 2016 and effective February 19, 2016, addresses SDG&E's Commission-approved plan of GHG product procurement. Sheets F-12, F-18, and F-24 of SDG&E's BPP were additionally updated with SDG&E's 2024 forecasts and limits in AL 4326-E, effective December 13, 2023. Appendix B, C, D, E, F, H, J and K of SDG&E's BPP were updated with SDG&E AL 3738-E and subsequently approved in Res. E-5196.

on this showing, SDG&E requests that the Commission find that SDG&E’s 2024 GHG product procurement complies with D.12-04-046, SDG&E’s BPP, and D.19-04-016.

II. DEVELOPMENT OF CALIFORNIA’S CAP-AND-TRADE PROGRAM

In 2006, Assembly Bill (“AB”) 32 became law. The bill requires California to lower GHG emissions to 1990 levels by 2020. To achieve AB 32’s goals, the California Air Resource’s Board (“CARB”) created a scoping plan that included multiple comprehensive actions. One such action was creating California’s Cap-and-Trade Program, intended to establish a market-based price for GHG emissions, provide market signals to promote investment in Energy Efficiency (“EE”) activities and encourage the use of low emitting electric generation to reduce GHG emissions. The Cap-and-Trade Program covers compliance years 2013 to 2030. The 2013-2023 compliance years are divided into four separate compliance periods: Compliance Period 1 (“CP1”) covers years 2013-2014; Compliance Period 2 (“CP2”) covers years 2015-2017; Compliance Period 3 (“CP3”) covers years 2018-2020; and Compliance Period 4 (“CP4”) covers years 2021-2023. Compliance periods for 2024-2030 are described in the recent Cap-and-Trade regulation.²

CARB has set declining GHG Emissions Caps for each year of the program to provide a trajectory to achieve the State’s 2020 and 2030 GHG emissions goals. An Emission Cap equals the amount of California GHG allowances issued by CARB for that year. The program was designed so that allowances can be banked for use in future years. Future vintages, however, cannot be used to satisfy an obligation for a prior year.

² See Section 95840 of the Cap-and-Trade Regulation for further details on Compliance Periods for 2024-2030. CARB, *Article 5: California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms* at 109-110 available at https://ww2.arb.ca.gov/sites/default/files/2021-02/ct_reg_unofficial.pdf

1 Compliance instruments consist of GHG allowances and CARB-verified offsets, the
2 latter of which is a verified reduction of GHG emissions from sectors outside the Cap-and-Trade
3 Program. While one offset is equivalent to one allowance and can be used for compliance, their
4 use is limited. For compliance years 2013 – 2020, no more than 8% of compliance year
5 obligations can be fulfilled with offsets. Compliance years 2021-2025 have a 4% annual limit
6 and years 2026-2030 have a 6% annual offset limit.³

7 **A. Covered Entities**

8 Emitters covered under the Cap-and-Trade Program must procure one Compliance
9 Instrument for every metric ton (“MT”) of carbon dioxide equivalent (“CO₂e”) that they emit.
10 Only entities that exceed emissions thresholds and are in sectors covered by the program are
11 subject to compliance. Entities subject to compliance are called Covered Entities.⁴ Electric
12 generators that exceed 25,000 MTs of emissions in a calendar year and electric imports are
13 covered entities. As such, SDG&E must purchase Compliance Instruments for its imported
14 power and for its Utility-Owned Generation (“UOG”) plants. Imported power includes generic
15 out-of-state market purchases as well as specified power such as electricity generated from the
16 SDG&E-owned Desert Star Energy Center and from SDG&E contracted Yuma Cogeneration
17 Associates (“YCA”). At the time of SDG&E’s updated 2024 GHG forecast within its BPP,
18 SDG&E had one California UOG plant as a Covered Entity in the program: Palomar Energy
19 Center. In addition, as a result of contractual agreements pursuant to its Purchased Power
20 Agreements (“PPAs”), SDG&E has procurement obligations for various tolling agreements. For

³ Note that offsets, although calculated annually, do not need to be surrendered until the end of the compliance period. *See id.* at 136.

⁴ *See* Section 95811 of the Cap-and-Trade Regulation for further details on Covered Entities and Thresholds. *Id.* at 64-66.

1 compliance years 2024 – 2026, SDG&E forecasted that it would have compliance obligations for
2 the following tolling agreements: Pio Pico Energy Center and Carlsbad Energy Center.⁵

3 **B. LTPP Approved Procurement Methods**

4 The Commission recognized the utilities’ need to procure compliance instruments to
5 fulfill requirements with California’s Cap-and-Trade Program. As a result, the Commission
6 granted procurement authority of GHG compliance instruments along with limitations on
7 procurement methodologies, vintages, and volumetric limits in D.12-04-046 and in SDG&E’s
8 BPP. In accordance with SDG&E’s BPP, SDG&E is authorized to procure seller-guaranteed
9 offsets through a Request for Offering (“RFO”) or via approved broker. SDG&E is also
10 authorized to purchase and sell allowance futures via approved exchanges and allowances from
11 CARB-run quarterly auctions and Price Containment Reserve Sales. For SDG&E’s 2024
12 procurement period, the LTPP authorized purchases and sales of Vintages 2013 – 2027.
13 SDG&E’s BPP GHG Limit for the 2024 procurement period was 3.024 Million MT.⁶

14 **III. 2024 GHG COMPLIANCE INSTRUMENT PROCUREMENT**

15 SDG&E seeks the Commission’s determination in this proceeding that SDG&E’s
16 procurement of GHG-related products during 2024 was in compliance with the Commission’s
17 approach on GHG procurement, as stated in the Track III Decision of the LTPP Proceeding,
18 D.12-04-046. In that Decision, the Commission issued a procurement limit regarding
19 Compliance Instruments that “provides the utilities broad latitude, particularly giving them the
20 opportunity to forward procure to the degree they believe compliance instrument prices are

⁵ See AL 4326-E, approved January 16, 2024 and effective December 13, 2023, at Appendices, Sheet F-12, and AL 2850 E-A, approved March 30, 2016 and effective February 19, 2016, at Appendix F, Sheet F-12. Appendix B, C, D, E, F, H, J and K of SDG&E’s BPP were updated with SDG&E AL 3738-E and subsequently approved in Res. E-5196.

⁶ *Id.* at Sheets F-18 and F-19.

1 favorable, or to postpone procurement to when they believe pricing will become more
2 favorable.”⁷

3 Accordingly, SDG&E developed a procurement strategy to allow SDG&E to remain
4 within the Commission-approved SDG&E GHG procurement limit of 3.024 Million MT for
5 compliance years 2013-2027.⁸ The soft cap of \$88.22 and hard floor of \$24.04 for the 2024
6 auctions served as the maximum and minimum prices expected in the auctions. The average
7 settlement price in 2024 for the Vintage 2024 quarterly auctions was \$35.23. The Vintage 2027
8 quarterly auctions settled at an average price of \$34.82. SDG&E’s procurement activity in 2024
9 is shown in Appendix A.

10 SDG&E purchased [REDACTED] and sold [REDACTED] of Compliance Instruments in the
11 2024 procurement period; net purchases were [REDACTED], which was below SDG&E’s limit
12 of [REDACTED]. SDG&E’s 2024 Quarterly Compliance Report (“QCR”) Attachment Q tables
13 in Appendix A herein show the specific transactions executed in 2024 and the individual costs
14 associated with each transaction. SDG&E’s total net costs from GHG procurement in 2024 were
15 [REDACTED].

16 See Appendix A for SDG&E’s four 2024 QCR Attachment Q tables.

17 **IV. CONCLUSION**

18 SDG&E’s procurement activity was consistent with the approach prescribed by the
19 Commission in D.12-04-046, D.15-10-031, and SDG&E’s BPP in Advice Letter 2850-E-A and
20 AL 4326-E, discussed above, for procuring GHG compliance instruments. Therefore, SDG&E

⁷ D.12-04-046 at 57.

⁸ See AL 4326-E, approved January 16, 2024 and effective December 13, 2023, at Appendices, Sheet F-12, and AL 2850 E-A, approved March 30, 2016 and effective February 19, 2016, at Appendix F, Sheets F-18, and F-19. Appendix B, C, D, E, F, H, J and K of SDG&E’s BPP were updated with SDG&E AL 3738-E and subsequently approved in Res. E-5196

1 requests that the Commission find that SDG&E complied with D.12-04-046, D.15-10-031,
2 Commission-approved AL 2850-E-A and AL 4326-E, and D.21-05-004 based on the testimony
3 provided herein for the record period January 1, 2024 through December 31, 2024.

4 This concludes my prepared direct testimony.

1 **V. QUALIFICATIONS**

2 My name is Stephen M. Elliott. My business address is 8315 Century Park Court, San
3 Diego, CA 92123. I am employed by San Diego Gas & Electric as an Sr. Electric & Fuels
4 Trader in the Energy Supply and Dispatch Department. My responsibilities include managing
5 the execution of SDG&E's GHG portfolio and also the day ahead and forward procurement of
6 natural gas that serves SDG&E's electric portfolio. I assumed my current position in December
7 2022.

8 I have been employed by SDG&E in numerous positions including an Analyst for Energy
9 Efficiency and Demand Response programs, a Business Analyst for Credit & Collections /
10 Customer Payment Services and a Senior Energy Risk Advisor in Energy Risk Management
11 (Middle Office). I have been responsible for Risk & Compliance of the Electric & Fuel
12 Procurement operations, natural gas scheduling, trading and the management and execution of
13 SDG&E's emissions portfolio.

14 I hold a bachelor's degree in History with an emphasis in Pre-Law studies from San
15 Diego State University and a Masters of Business Administration with an emphasis in Finance
16 from National University.

17 I have previously testified before the California Public Utilities Commission.

APPENDIX A

QCR ATTACHMENT Q – GHG DEALS –2023

CONFIDENTIAL

This data is considered confidential/privileged material; review and access restricted; subject to PUC Sections 454.5(g), 583, GO 66-D, and D.06-06-066.

QCR Attachment Q - GHG DEALS - Q1 2023

* Initiation Date refers to the date that SDG&E committed to the purchase/sale. Transfer Date refers to the date SDG&E received/delivered the allowances/offsets or will receive/deliver the allowances/offsets.
For Auctions, Initiation Day is the Auction Date and Transfer Date is when SDG&E received the allowances
For Offsets and Bilateral transactions, Initiation Date is the date the confirm was signed or formal agreement was made and Transfer date is when SDG&E received/delivered the compliance instruments.
** Offsets marked as Vintage 2009- can be Vintage 2007 - 2009; Compliance Instruments marked as YYYY- were transacted as vintage YYYY, but deliveries from counterpart can include prior vintages
*** Compliance Periods are as follows: CP1 is 2013-2014; CP2 is 2015-2017; CP3 is 2018-2020; CP4 is 2021-2023; CP5 is 2024-2026

QCR Attachment Q - GHG DEALS - Q2 2023



* Initiation Date refers to the date that SDG&E committed to the purchase/sale. Transfer Date refers to the date SDG&E received/delivered the allowances/offsets or will receive/deliver the allowances/offsets.
For Auctions, Initiation Day is the Auction Date and Transfer Date is when SDG&E received the allowances
For Offsets and Bilateral transactions, Initiation Date is the date the confirm was signed or formal agreement was made and Transfer date is when SDG&E received/delivered the compliance instruments.

** Offsets marked as Vintage 2009- can be Vintage 2007 - 2009; Compliance Instruments marked as YYYY- were transacted as vintage YYYY, but deliveries from counterpart can include prior vintages

*** Compliance Periods are as follows: CP1 is 2013-2014; CP2 is 2015-2017; CP3 is 2018-2020; CP4 is 2021-2023; CP5 is 2024-2026

QCR Attachment Q - GHG DEALS - Q3 2023

* Initiation Date refers to the date that SDG&E committed to the purchase/sale. Transfer Date refers to the date SDG&E received/delivered the allowances/offsets or will receive/deliver the allowances/offsets.
For Auctions, Initiation Day is the Auction Date and Transfer Date is when SDG&E received the allowances
For Offsets and Bilateral transactions, Initiation Date is the date the confirm was signed or formal agreement was made and Transfer date is when SDG&E received/delivered the compliance instruments.

** Offsets marked as Vintage 2009- can be Vintage 2007 - 2009; Compliance Instruments marked as YYYY- were transacted as vintage YYYY, but deliveries from counterpart can include prior vintages

*** Compliance Periods are as follows: CP1 is 2013-2014; CP2 is 2015-2017; CP3 is 2018-2020; CP4 is 2021-2023; CP5 is 2024-2026

QCR Attachment Q - GHG DEALS - Q4 2023

* Initiation Date refers to the date that SDG&E committed to the purchase/sale. Transfer Date refers to the date SDG&E received/delivered the allowances/offsets or will receive/deliver the allowances/offsets.
For Auctions, Initiation Day is the Auction Date and Transfer Date is when SDG&E received the allowances
For Offsets and Bilateral transactions, Initiation Date is the date the confirm was signed or formal agreement was made and Transfer date is when SDG&E received/delivered the compliance instruments.

** Offsets marked as Vintage 2009- can be Vintage 2007 - 2009; Compliance Instruments marked as YYYY- were transacted as vintage YYYY, but deliveries from counterpart can include prior vintages

*** Compliance Periods are as follows: CP1 is 2013-2014; CP2 is 2015-2017; CP3 is 2018-2020; CP4 is 2021-2023; CP5 is 2024-2026

APPENDIX B

DECLARATION OF STEPHEN M. ELLIOTT REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS PURSUANT TO D.16-08-024, *et al.*

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

**DECLARATION OF STEPHEN M. ELLIOTT
REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS
PURSUANT TO D.16-08-24, *et al.***

I, Stephen M. Elliott, do declare as follows:

1. I am an Electric Fuels Trader in the Electric and Fuel Procurement for San Diego Gas & Electric Company (“SDG&E”). I have been delegated authority to sign this declaration by Adam Pierce, Vice President of Energy Procurement and Rates. I have reviewed the Prepared Direct Testimony (“Testimony”) in support of SDG&E’s June 2, 2025 “Application ... for Approval of ERRR Compliance of Record Period 2024” (“Application”). I am personally familiar with the facts in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.

2. I hereby provide this Declaration in accordance with Decisions (“D.”) D.16-08-024, D.17-05-035 and D.17-09-023 to demonstrate that the confidential information (“Protected Information”) provided in Mr. Elliott’s Testimony is within the scope of data protected as confidential under applicable law.

3. In accordance with the legal citations and narrative justification described in Attachment A, the Protected Information should be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 2nd day of June 2025, at San Diego.

DocuSigned by:

Stephen M. Elliott

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Stephen M. Elliott
Electric Fuels Trader, Electric & Fuel Procurement

ATTACHMENT A

SDG&E Request for Confidentiality on the following information contained in Stephen M. Elliott’s Testimony in support of SDG&E’s Application

Location of Protected Information	Legal Citations	Narrative Justification
<p>1. <i>SL-5, lines 2 and 13; SL-6, line 2</i></p> <p><i>(SDG&E’s 2024 volumetric limit)</i></p>	<p>D.08-04-023</p> <p>D.14-10-033, D.16-08-024, D.17-05-035, D.17-09-023, Public Utilities Code Section 454.5(g)</p> <p>General Order (“GO”) 66-D</p> <p>17 CCR § 95914(c) (the “ARB Confidentiality Regulations”)</p> <p>The GHG Confidential Information Matrix in Attachment A of D.14-10-033 and revised in D.15-01-024</p> <p>Idii. of Attachment A makes the following confidential: CPUC-approved procurement limits for compliance exposure and financial exposure</p> <p>Gov’t Code §§6254(k), 6254.7 (d), Evidence Code 1060, Civil Code §3426 et seq.</p>	<p>The Protected Information is entitled to confidential treatment under applicable law, including, but not limited to, the legal authority cited herein. The information does not expressly fall within any category of the IOU Matrix applicable to electric procurement information but is market-sensitive information.</p> <p>Among other things, 17 CCR Section 95914(c)(1) of the Cap-and-Trade regulations prohibits disclosure of any auction-related information. Violation of Section 95914 may subject SDG&E to penalties by the California Air Resources Board.</p> <p>In addition, Attachments A, C & D of D.15-01-024 and Appendices A & B of D.15-10-032 require Auction-related information, forecasts of emissions intensity, forecasts of greenhouse gas (GHG) costs, GHG transactions, compliance instrument prices, weight average cost (“WAC”) and other GHG information to be kept confidential.</p> <p>Additionally, the Protected Information also includes trade secret information because SDG&E’s bidding/consignment strategies contain “commercial value,” which gives SDG&E “an opportunity to obtain a business advantage over competitors who do not know or use it.”</p> <p>Disclosure of this information would place SDG&E at an unfair business disadvantage relative to other Cap-and-Trade market participants and result in higher Cap-and-Trade compliance costs for SDG&E and its end-use ratepayers.</p>
<p>2. <i>SL-6, lines 1-2, and 6</i></p>	<p>D.08-04-023</p> <p>D.14-10-033, D.16-08-024, D.17-05-035, D.17-09-023,</p>	<p>The Protected Information is entitled to confidential treatment under applicable law, including, but not limited to, the legal authority cited herein. The information does not expressly fall within any category of the IOU Matrix applicable to electric procurement information but is market-sensitive information.</p>

<p><i>(SDG&E’s 2024 Direct GHG procurement: volumes and cost)</i></p>	<p>Public Utilities Code Section 454.5(g)</p> <p>General Order (“GO”) 66-D</p> <p>17 CCR § 95914(c) (the “ARB Confidentiality Regulations”)</p> <p>The GHG Confidential Information Matrix in Attachment A of D.14-10-033 and revised in D.15-01-024</p> <p>1b of Attachment A makes the following confidential: Utility GHG compliance instrument inventories or quantities that can be used to derive GHG compliance instrument holdings</p> <p>Gov’t Code §§6254(k), 6254.7 (d), Evidence Code 1060, Civil Code §3426 et seq.</p>	<p>Among other things, 17 CCR Section 95914(c)(1) of the Cap-and-Trade regulations prohibits disclosure of any auction-related information. Violation of Section 95914 may subject SDG&E to penalties by the California Air Resources Board.</p> <p>In addition, Attachments A, C & D of D.15-01-024 and Appendices A & B of D.15-10-032 require Auction-related information, forecasts of emissions intensity, forecasts of greenhouse gas (GHG) costs, GHG transactions, compliance instrument prices, weight average cost (“WAC”) and other GHG information to be kept confidential.</p> <p>Additionally, the Protected Information also includes trade secret information because SDG&E’s bidding/consignment strategies contain “commercial value,” which gives SDG&E “an opportunity to obtain a business advantage over competitors who do not know or use it.”</p> <p>Disclosure of this information would place SDG&E at an unfair business disadvantage relative to other Cap-and-Trade market participants and result in higher Cap-and-Trade compliance costs for SDG&E and its end-use ratepayers.</p>
<p>3. <i>Tables on SL-A-1, SL-A-2, SL-A-3, and SL-A-4</i></p> <p><i>(SDG&E’s 2024 Direct GHG procurement: volumes, prices and costs appear in Appendix A of Stephen M.</i></p>	<p>D.08-04-023</p> <p>D.14-10-033, D.16-08-024, D.17-05-035, D.17-09-023, Public Utilities Code Section 454.5(g)</p> <p>General Order (“GO”) 66-D</p> <p>17 CCR § 95914(c) (the “ARB Confidentiality Regulations”)</p> <p>The GHG Confidential Information Matrix in Attachment A of D.14-10-033 and revised in D.15-01-024</p>	<p>The Protected Information is entitled to confidential treatment under applicable law, including, but not limited to, the legal authority cited herein. The information does not expressly fall within any category of the IOU Matrix applicable to electric procurement information but is market-sensitive information.</p> <p>Among other things, 17 CCR Section 95914(c)(1) of the Cap-and-Trade regulations prohibits disclosure of any auction-related information. Violation of Section 95914 may subject SDG&E to penalties by the California Air Resources Board.</p> <p>In addition, Attachments A, C & D of D.15-01-024 and Appendices A & B of D.15-10-032 require Auction-related information, forecasts of emissions intensity, forecasts of greenhouse gas (GHG) costs, GHG transactions, compliance instrument prices, weight average cost (“WAC”) and other GHG information to be kept confidential.</p> <p>Additionally, the Protected Information also includes trade secret information because SDG&E’s bidding/consignment strategies contain “commercial value,” which gives SDG&E “an opportunity to obtain a business advantage over competitors who do not know or use it.”</p>

<p><i>Elliott's Testimony)</i></p>	<p>1b of Attachment A makes the following confidential: Utility GHG compliance instrument inventories or quantities that can be used to derive GHG compliance instrument holdings</p> <p>1c of Attachment A makes the following confidential: Negotiated contract terms of non-public contract terms of Utility AB32 GHG transactions</p> <p>Gov't Code §§6254(k), 6254.7 (d), Evidence Code 1060, Civil Code §3426 et seq.</p>	<p>Disclosure of this information would place SDG&E at an unfair business disadvantage relative to other Cap-and-Trade market participants and result in higher Cap-and-Trade compliance costs for SDG&E and its end-use ratepayers.</p>
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