BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Investigation Into Implementation of Assembly Bill 970 Regarding the Identification of Electric Transmission and Distribution Constraints, Actions to Resolve Those Constraints, and Related Matters Affecting the Reliability of Electric Supply.	)	Investigation 00-11-001

PREPARED DIRECT TESTIMONY OF DAVID VIDAVER
ON BEHALF OF THE CALIFORNIA ENERGY COMMISSION

This testimony is presented by David Vidaver. Mr. Vidaver's qualifications are attached as Exhibit A.

Q. On whose behalf are you submitting this testimony?

A. I am submitting this testimony on behalf of the California Energy Commission (CEC).

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe how the CEC arrived at the retirement and outage numbers that were requested by the California Public Utilities Commission (CPUC). That request assumed retirements and outages at levels higher than those used in the case developed by the parties. The numbers that I provided were ultimately used in completing the Aggressive and Outage Scenario for the Southern California Long-Term Transmission Study Matrix for Investigation No. 00-11-001.

Q. How did you arrive at the outage values?

A. They are 15 percent of the estimated gas and coal-fired capacity south of Path 15 in the ISO control area, plus 7.5 percent of the estimated gas-fired capacity in Kern County, plus one unit at the SONGS (San Onofre Nuclear Generating Station). Large facilities that come on-line in 2001, and later are assumed to be available in full.

Q. What outage values were used for 2001 through 2005?

A. These values appear in Table 1.

Q. Did you provide any outage values for the years after 2005?

A. No. However, the formulaic approach I have just described can be applied to subsequent years without any difficulty.

Q. In your opinion, is the outage scenario presented by the CPUC a “worst case” scenario?

A. No, it is perhaps a “very bad” scenario, but it is not a “worst case.” From a planning perspective, I am accustomed to thinking of “worst case” as something that occurs once in ten years. The CPUC scenario is likely to occur perhaps one to three times per summer.

Q. How did you arrive at the retirement numbers?

A. A large number of new generation facilities are being constructed or are in the permitting process throughout the western United States. In addition, numerous peak time energy management and conservation programs are being funded in California. Finally, high prices are inducing the adoption of both technologies and tariffs that will increase the demand response to high peak hour prices. Taken together, these will dramatically reduce peak hour prices, impacting upon the profitability of generation units, primarily gas turbines, whose cost structure is such that they rely on high prices during a few summer hours to make a profit. I have retired the most inefficient of these facilities as of the end of 2003.

Q. Do you consider the retirement scenario identified by the CPUC as something likely to occur?

A. The retirement scenario is plausible given the assumption that a substantial amount of new capacity coming on-line by 2004, causes prices to drop, rendering the least efficient units unprofitable. There is strong evidence that large amounts of new capacity will be on-line by this date, much of it neighboring states.

Q. Does this complete your testimony?

A. Yes, this completes my testimony.

Exhibit A

Statement of Qualifications

David Vidaver

David Vidaver is an Energy Commission Specialist with the California Energy Commission (CEC). For the past three years, Mr. Vidaver has worked in the Electricity Analysis Office of the CEC. In his capacity as an Energy Commission Specialist, Mr. Vidaver provides analyses and forecasts of electricity market conditions in the western United States. Before joining the CEC, Mr. Vidaver spent two years performing similar work for the CEC as an independent contractor.

Mr. Vidaver's educational background includes a BA degree in Political Science from the University of California, Berkeley, and a MS degree in Agricultural Economics from the University of California, Davis.

TABLE 1

A. Retirements assumed in original analysis:

Southern California

End of 2002

Redondo Beach 5 & 6	350 MW
Highgrove 1-4	154 MW
Total	**504 MW**

End of 2003

5 emergency peakers in SCE	195 MW
2 emergency peakers in Kern Co.	49 MW
Total	**244 MW**

San Diego

End of 2003

8 emergency peakers	370 MW

B. Additional capacity now retired at end of 2003:

Southern California

Etiwanda GT	142 MW	
Huntington Beach. GT		**147 MW**
Alamitos GT	147 MW	
Anaheim GT	46 MW	
Elwood GT	53 MW	
Mandalay GT	147 MW	
Glenarm GT	26 MW	
Vernon GT	10 MW	
Glenarm GT	26 MW	
Total	744 MW	

San Diego

Encina GT	16 MW
Kearney GTs	152 MW
El Cajon GT	16 MW
NTC Central GT	16 MW
Division GT	16 MW

Miramar GT	39 MW
Total	255 MW

C. Revised average heat rate numbers for 2004 –

Southern California	9549 Btu
San Diego	10508 Btu

D. Outage Assumptions For Existing Units

15 % of gas-fired capacity

Southern California

2001-2 1929 MW
2003 1854 MW
2004+ 1706 MW

San Diego

2001-3 387 MW
2004+ 284 MW