Proceeding No.: A.11-09-022
Exhibit No.:
Witness: Yvonne M. Le Mieux

DIRECT TESTIMONY OF

YVONNE M. LE MIEUX

SAN DIEGO GAS & ELECTRIC COMPANY

(Public Version)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

February 24, 2012

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DIRECT TESTIMONY OF
YVONNE M. LE MIEUX
ON BEHALF OF SDG&E

I. OVERVIEW AND PURPOSE

The purpose of my testimony is to present San Diego Gas & Electric Company's ("SDG&E") (1) 2012 market price benchmark ("MPB") for calculating the Ongoing Competition Transition Charges ("CTC") and Power Charge Indifference Adjustment ("PCIA") and (2) non-bypassable charges. As described in more detail below, SDG&E's non-bypassable charges include the 2012 Indifference Rate and resulting PCIA consistent with Decision ("D.") 08-09-012. The Local Generation Charge ("LGC") proposed by SDG&E in Application ("A.") 11-05-023 consistent with the Cost Allocation Mechanism ("CAM") policy adopted in D.06-07-029 and the allocation of allowance revenues related to California's Greenhouse Gas ("GHG") Cap-and-Trade Program, being addressed in Rulemaking ("R.") 11-03-012 and R.10-05-006, are still pending before the Commission and not addressed here.

My testimony is organized as follows:

- **Section II – Background**: presents background on the Total Portfolio methodology, MPB and PCIA;
- **Section III – 2012 Market Price Benchmark (MPB)**: presents SDG&E's estimated 2012 MPB;
- **Section IV – Total Portfolio**: describes the Total Portfolio methodology, including vintaging, the 2012 Indifference Rate and PCIA
- **Section V – Cost Allocation Mechanism**: describes the non-bypassable LGC proposed in A.11-05-023; and

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- **Section VI – Statement of Qualifications**: presents my qualifications.

II. BACKGROUND

In D.06-07-030, as modified by D.07-01-030, the Commission adopted the Total Portfolio methodology and MPB for determining the above market costs associated with the utility/California Department of Water Resources ("CDWR") total portfolio, and replaced the DWR Power Charge Component with the PCIA. In D.07-01-025, the Commission adopted the same Total Portfolio methodology, MPB, and PCIA calculation for Community Choice Aggregation ("CCA").[1] Although the Energy Resource Recovery Account ("ERRA") forecast filing directly addresses only SDG&E's fuel and purchased power costs, the Commission ordered that the calculation of PCIA and associated revenues must take place in the ERRA forecast proceeding. Therefore, the 2012 revenue requirements for DWR and the Non-Fuel Generation Balancing Account ("NGBA") were utilized to calculate SDG&E's 2012 PCIA.

In D.08-09-012, the Commission ruled that Municipal Departing Load ("MDL"), other than large municipalizations and Customer Generator Departing Load ("CGDL"), shall be exempt from non-bypassable charges related to new world generation resources that were not procured on their behalf. Thus, to the extent that there are MDL and CGDL customers, these customers are responsible only for the above-market costs associated with resources procured before January 1, 2003, as well as the above-market costs associated with the DWR supply (to the extent that they are not otherwise exempt from DWR related costs). SDG&E has no MDL in its service area and is unaware of the formation of any MDL in its service area. Regarding CGDL in SDG&E's service area, there are currently no CGDL customers that are subject to the PCIA. Pursuant to the Commission's ruling in D.08-09-012, all future CGDL is exempt from the PCIA as well. The

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[1] SDG&E currently has DA Non Exempt load on its system but no (zero) CCA load.

Commission also determined in D. 08-09-012 that former Direct Access ("DA") load that is eligible to return to DA and does so, is subject to the same Cost Responsibility Surcharge ("CRS") treatment as large MDL and CCA.[2]

III. 2012 MARKET PRICE BENCHMARK (MPB)

D.06-12-018 directed California investor-owned utilities ("IOUs") to use a Commission-adopted market benchmark for calculating the Ongoing CTC and PCIA.[3] The benchmark is calculated annually by the Commission's Energy Division according to the procedure adopted in D.06-07-030,[4] as modified by D.07-01-030.[5] The benchmark is calculated as follows:

- Collect daily forward price quotes from October 1 through October 31 for 12 months of on-peak (6 days x 16 hours/day) and off-peak (6 days x 8 hours/day; 1 day x 24 hours/day) power delivered at South of Path 15 (SP-15) in the given year.
- Average the daily quotes to get an annual on-peak forward price and an annual off-peak forward price.
- Determine a weighted average 24 x 7 forward power cost by multiplying the average on-peak price times the fraction of annual on-peak hours, and the average off-peak prices times the fraction of off-peak hours, and then adding the two.
- Add a resource adequacy/capacity cost to the 24 x 7 forward price. This adder for SDG&E is $7/megawatt-hour ("MWh").
- For the benchmark applicable to the determination of the PCIA, a line loss factor adjustment is added.

Subsequently (consistent with Senate Bill ["SB"] 695), Phase III of R.07-05-025 was opened to resolve issues related to DA reopening, including modifications being considered in the calculation of the PCIA. In addition, a ruling issued in R.07-05-025 on April 14, 2011 granted the following:

[2] D.08-09-012 Appendix E Cost Responsibility Surcharge Calculations.
[3] D.06-12-018, page 11-12.
[4] D.06-07-030, Appendix 1.
[5] D.07-01-030, Ordering Paragraph ("OP") 2.

> 2. The 2010 PCIA rate shall continue in effect for SCE and SDG&E until the Phase III decision is issued in this proceeding subject to the adjustments below.
>
> 3. Upon issuance of the Phase III decision in this proceeding, SCE and SDG&E shall calculate the difference in the 2011 PCIA to be collected based on the current methodology versus the revised methodology to be adopted in Phase III of this proceeding, to be applied beginning from the effective date of the 2011 rate change as adopted in their respective ERRA decisions.[6]

Eventually, in D.11-12-018, the Commission ordered modifications to the calculation of the MPB for determination of the PCIA. Specifically, the revised MPB now incorporates: (1) adders to reflect the Renewable Portfolio Standard ("RPS") resources; (2) weighting to reflect variations in load shape on a time-of-use ("TOU") basis based upon the most recent IOU bundled load profile data; and (3) an updated capacity adder.[7] Moreover, in compliance with OP 4 of D.11-12-018, on January 6, 2012, SDG&E, Southern California Edison Company ("SCE") and Pacific Gas and Electric Company ("PG&E") filed advice letters ("ALs")[8] providing the necessary information for the Energy Division to determine the revised MPB. In response, on February 8, 2012, the Alliance for Retail Energy Markets, the Direct Access Customer Coalition, Marin Energy Authority, and City and County of San Francisco ("Joint Parties") filed a Protest to the three ALs.[9]

The Joint Parties' Protest did not object to the data submitted in the AL filings, but objected that the filings did not include the "arithmetic formula needed to actually calculate the MPB." On February 15, 2012, SDG&E submitted a reply to the Joint Parties' Protest indicating that OP 4 of D.11-12-018 does not require that the IOUs submit an "arithmetic formula" for determining the MPB and that the decision describes the MPB and the indifference amount calculations in sufficient detail. In any event, the Joint Parties' Protest included a MPB formula which SDG&E

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[6] R.07-05-025, Administrative Law Judge's Ruling Regarding Motion of Joint Parties, April 14, 2011, page 6.
[7] D.11-12-018, OP 2 and OP 7.
[8] SDG&E Advice Letter ("AL") 2325-E, SCE AL 2688-E and PG&E AL 3987-E.
[9] Joint Parties' Protest to PG&E Advice Letter 3987-E; SCE Advice Letter 2688-E; and SDG&E Advice Letter 2325-E.

reviewed and agreed to as written. Accordingly, SDG&E is currently awaiting a Resolution from Energy Division for the revised MPB.

Due to the delay in receiving the revised MPB, the 2012 PCIA cannot be updated in this Amended Application using the modified methodology. However, in order to have PCIA rates to charge its 2012 vintage customers, since no rate currently exists for such customers, SDG&E requires 2012 PCIA rates by July 1, 2012. Therefore, to ensure implementation of a 2012 vintage PCIA, SDG&E suggests that it be allowed to update the 2012 PCIA by using the existing methodology (approved in D.08-09-012),[10] until the revised MPB based on the new methodology approved in D.11-12-018 can be implemented. In addition, consistent with the Commission's ruling in D.11-12-031, OPs 5-7 and the April 14, 2011 Ruling in R.07-05-025, SDG&E will track the difference between the interim 2012 PCIA and the revised 2012 PCIA, until the modified methodology from D.11-12-018 is implemented. Upon implementation of the revised 2012 PCIA, DA customers' accounts will be adjusted to account for the tracked differences.

IV. TOTAL PORTFOLIO

The purpose of the Total Portfolio methodology is to reasonably ensure that bundled customers are indifferent with respect to departing load. Rather than focus on each individual resource cost, the Total Portfolio method recognizes that bundled customers are served from the entire portfolio of commodity resources and that when load departs the utility may, in general, offset a portion of the costs of departing load through additional market sales.

The use of the Total Portfolio methodology treats bundled and departing load customers in a similar manner by allowing both to benefit from below-market resources and to pay their respective share of above-market costs. If the Total Portfolio cost, in $/MWh, is greater than the

[10] In November 2011, the Energy Division calculated a 2012 electric MPB of $40.08/MWh for determining the CTC and $41.81/MWh for determining the 2012 PCIA (see Attachment A).

MPB, then the difference between the two (referred to as a positive indifference rate) is used to calculate above-market costs. Given that DA, CCA, and other departing load customers pay for certain above-market costs recovered in the CTC component, the CTC rate is subtracted from the indifference rate to determine the PCIA.

In order to maintain bundled customer indifference, the subtraction of the CTC necessitates that the CTC revenue requirement be calculated using the same MPB that is used to calculate the indifference rate. In instances where the PCIA is positive, then SDG&E determines the remittance to DWR and the allocation of the DWR revenue requirement is reduced by this amount. If the indifference rate is less than or equal to zero, then the PCIA is set to zero for billing purposes, and as determined by the Commission in D.07-05-005, negative amounts are tracked for the purpose of applying against any future positive amounts.

A. VINTAGING TOTAL PORTFOLIO

The bundled customer indifference standard requires that departing load pay for their share of above-market costs associated with the Total Portfolio that was committed to serve them prior to their departure. Also, departing load is not required to pay for above-market costs associated with utility procurement commitments after that load departs. In order to address this issue of matching departing load with the utility procurement process, the Commission has approved vintaging for CCA departing load.

Vintaging is simply calculating the Total Portfolio for a given year and then determining which year's vintage of Total Portfolio costs is applicable to the departing load. If the departure of load for CCA (adhering to the rules for departure that are set forth in SDG&E's tariff schedules applicable to CCA) takes place prior to July 1 in a given year, then the departing load is assigned the vintage of Total Portfolio resources from the prior calendar year. If it takes place on or after

July 1, then the departing load is assigned the vintage of Total Portfolio resources in that same calendar year. To date, SDG&E has not received a binding notice of intent to depart from any CCA and is unaware of any CCA load in its service area.

In D.08-09-012, the Commission adopted the same vintaging process, in terms of the calendar year split, for large MDL and CCA. For current non-exempt DA customers, the vintage of resources excludes those added by SDG&E after 2001 when DA was suspended. Former DA load that is eligible to return to DA with the limited reopening of DA under SB 695 is subject to the PCIA calculations applicable to large MDL and CCA.

B. 2012 INDIFFERENCE RATE AND PCIA

The PCIA is calculated by subtracting the CTC from the Indifference Rate. If the PCIA is negative, then for billing purposes it is set to zero, but SDG&E must track negative amounts and credit them against any future positive amounts. In its ERRA filing for 2011, SDG&E calculated positive PCIAs for both DA and CCA. There is no CCA load or MDL on SDG&E's system so there is no tracking of negative amounts or billing for positive amounts for CCA or MDL. In May 2010, consistent with D.10-04-010, SDG&E implemented its 2009 and 2010 Vintage PCIAs for 2010, with the 2009 Vintage being applicable to customers departing load in the first half of the year and the 2010 Vintage being applicable to customers departing load in the second half of the year. For 2011, the 2009 and 2010 Vintage PCIAs were updated and the 2011 Vintage PCIAs were calculated to account for customers' departing load in the second half of 2011. Likewise, in this Application, SDG&E is proposing to update the 2011 Vintage PCIAs and to calculate the 2012 Vintage PCIAs to account for customers' departing load in the second half of 2012.[11]

[11] The 2011 Vintage PCIA is applicable to customers' departing load in the first half of 2012.

Attachment B presents the proposed PCIA for DA, CCA and other departing load updated (as described above) for the interim 2012 MPB, 2012 DWR revenue requirements[12] and 2012 projected departing load reflecting updates to 2009, 2010 and 2011 Vintage PCIA for 2012 and the addition of 2012 Vintage.

V. COST ALLOCATION MECHANISM

In D.06-07-029, as modified by D.08-09-012 and D.11-05-005, the Commission adopted a CAM policy to allow costs and benefits of new generation to be shared by all benefiting customers. In addition, Public Utilities Code Section 365.1(c)(2), added by SB 695, requires that the net capacity costs of generation resources, acquired to meet system or local area reliability needs, be allocated to all benefiting customers on a non-bypassable basis. Consistent with this guidance, SDG&E proposed in A.11-05-023 to implement a LGC to recover new generation costs for three long-term Power Purchase Tolling Agreements ("PPTAs") that SDG&E requested authority to enter into to provide 450 MW of additional local capacity. SDG&E proposed that the LGC be recovered as a per kilowatt hour non-bypassable charge from all benefiting customers defined as all bundled service, DA and CCA customers.

As of the date of this filing, no proposed decision or final decision has been issued in A.11-05-023. Accordingly, SDG&E did not include the cost of the PPTAs or the LGC to recover these costs in this Application. SDG&E will include costs resulting from A.11-05-023 in compliance with the final decision in its ERRA Forecast Application for 2013.

This concludes my prepared direct testimony.

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[12] D.11-12-005.

VI. QUALIFICATIONS

My name is Yvonne M. Le Mieux. My business address is 8330 Century Park Court, San Diego, CA 92123. I am a Principal Regulatory Economics Advisor in the Electric Rates section of the Strategic Analysis and Pricing department. My current responsibilities include implementing electric rate changes and analytical support for cost recovery and rate design.

I received a Bachelor of Science degree in Business Administration with Distinction in Accounting from San Diego State University in 2003. I have been a Certified Public Accountant ("CPA"), licensed in the State of California, since 2005 and a Certified Internal Auditor ("CIA") since 2006.

I have been employed with SDG&E and Sempra Energy since 2003. In addition to my current position in Electric Rate Design, I have held various positions with increasing responsibility including a Senior Regulatory Accounts Advisor position in the Financial Analysis department, a Senior Auditor position in the Audit Services department under the Financial and Operational discipline and a Staff Accountant position in the Sempra Energy Global Accounting department at Sempra Energy's corporate offices.

I have previously submitted direct testimony before this Commission.

Attachment A: 2011 Market Price Benchmark

2012 Market Benchmark Applicable to SDG&E			
			SP15
			SDG&E
October 1 through October 31	**Avg On-peak Price**		[redacted]
October 1 through October 31	**Avg Off-peak Price**		[redacted]
	2012		
Number of Sundays		53	
	Start Date	1/1/2012	
	End Date	12/31/2012	
	Net Work Days	261	
	Total Days	366	
	Weekend Days	105	
	Sundays	53	
Non-Sundays		313	
Off-peak hours M-Sat		8	
On-peak hours M-Sat		16	
Total Hours		8,784	
On Peak Hours		5,008	
Off-peak hours		3,776	
On Peak Weight		57%	
Off Peak Weight		43%	
Calculated Baseload Price			**$33.08**
Capacity Adder			$7.00
Sum: Baseload + Capacity Adder			$40.08
Adjust for Line Losses			1.043
2012 Market Price Benchmark			**$41.81**

Attachment: B 2012 PCIA

Customer Class	Market Benchmark	2012 Power Charge Indifference Adjustment (PCIA) ($/kWh)			
	2012	2009 Vintage	2010 Vintage	2011 Vintage	2012 Vintage
Residential					
Non-Continuous	$41.81	$0.00000	$0.00000	$0.00000	$0.00000
Small Commercial					
Non-Continuous	$41.81	$0.00000	$0.00000	$0.00000	$0.00000
New Non-Continuous	$41.81	$0.01312	$0.01554	$0.01841	$0.01969
New Continuous	$41.81	$0.01321	$0.01563	$0.01850	$0.01978
Medium/Large Commercial & Industrial					
Non-Continuous	$41.81	$0.00000	$0.00000	$0.00000	$0.00000
New Non-Continuous	$41.81	$0.01371	$0.01613	$0.01900	$0.02028
New Continuous	$41.81	$0.01380	$0.01622	$0.01909	$0.02037
Agricultural					
Non-Continuous	$41.81	$0.00000	$0.00000	$0.00000	$0.00000
New Non-Continuous	$41.81	$0.01388	$0.01630	$0.01917	$0.02045
New Continuous	$41.81	$0.01397	$0.01639	$0.01926	$0.02054
Streetlighting					
Non-Continuous	$41.81	$0.00000	$0.00000	$0.00000	$0.00000
New Non-Continuous	$41.81	$0.01681	$0.01923	$0.02210	$0.02338
New Continuous	$41.81	$0.01690	$0.01932	$0.02219	$0.02347

BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION
OF YVONNE M. LE MIEUX

A.11-09-022
Application of San Diego Gas & Electric Company (U 902 E)
For Adoption of its 2012 Energy Resource Recovery Account (ERRA) Revenue Requirement and Competition Transition Charge Revenue Requirement Forecasts

I, Yvonne M. Le Mieux, declare as follows:

1. I am a Principal Regulatory Economics Advisor for San Diego Gas & Electric Company ("SDG&E"). I included my Prepared Direct Testimony ("Testimony") in support of SDG&E's February 24, 2012 Amended Application for Adoption of its 2012 Energy Resource Recovery Account ("ERRA") and Competition Transition Charge ("CTC") revenue requirement forecasts. Additionally, as a Principal Regulatory Economics Advisor, I am thoroughly familiar with the facts and representations in this declaration, and if called upon to testify I could and would testify to the following based upon personal knowledge.

2. I am providing this Declaration to demonstrate that the confidential information ("Protected Information") in support of the referenced Application falls within the scope of data provided confidential treatment in the IOU Matrix ("Matrix") attached to the Commission's Decision ("D.") 06-06-066 (the Phase I Confidentiality decision). Pursuant to the procedure adopted in D.08-04-023, I am addressing each of the following five features of Ordering Paragraph 2 of D.06-06-066:

- that the material constitutes a particular type of data listed in the Matrix;
- the category or categories in the Matrix the data correspond to;
- that SDG&E is complying with the limitations on confidentiality specified in the Matrix for that type of data;
- that the information is not already public; and

- that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.

3. The Protected Information contained in my Testimony constitutes material, market sensitive, electric procurement-related information that is within the scope of Section 454.5(g) of the Public Utilities Code.[1] As such, the Protected Information is allowed confidential treatment in accordance with Appendix 1 – IOU Matrix in D.06-06-066. Redacted items in the chart included in Attachment A are protected under Matrix category II.A.1 Utility Electric Price Forecasts and are confidential for three years.

4. I am not aware of any instances where the Protected Information has been disclosed to the public. To my knowledge, no party, including SDG&E, has publicly revealed any of the Protected Information.

5. SDG&E will comply with the limitations on confidentiality specified in the Matrix for the Protected Information.

6. The Protected Information cannot be provided in a form that is aggregated, partially redacted, or summarized, masked or otherwise protected in a manner that would allow further disclosure of the data while still protecting confidential information.

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

[1] In addition to the details addressed herein, SDG&E believes that the information being furnished in my Testimony is governed by Public Utilities Code Section 583 and General Order 66-C. Accordingly, SDG&E seeks confidential treatment of this data under those provisions, as applicable.

Executed this 23rd day of February, 2012, at San Diego, California.

Yvonne M Le Mieux

Yvonne M. Le Mieux
Principal Regulatory Economics Advisor
San Diego Gas & Electric Company