

Proceeding No.: A.12-10-002
Exhibit No.: _____
Witness: Yvonne M. Le Mieux

AMENDED DIRECT TESTIMONY OF
YVONNE M. LE MIEUX
SAN DIEGO GAS & ELECTRIC COMPANY

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

January 8, 2013



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1 **AMENDED DIRECT TESTIMONY OF**
2 **YVONNE M. LE MIEUX**
3 **ON BEHALF OF SDG&E**

4 **I. OVERVIEW AND PURPOSE**

5 The purpose of my amended direct testimony¹ is to present San Diego Gas & Electric
6 Company's ("SDG&E") rate recovery proposals for the portfolio of resources addressed in this
7 proceeding, specifically (1) rate impacts associated with the cost recovery of the 2013 Energy
8 Resource Recovery Account ("ERRA") and On-going Competition Transition Charge ("CTC")
9 revenue requirements, (2) 2013 Indifference Amount and the resulting non-bypassable 2013 Power
10 Charge Indifference Adjustment ("PCIA") component of the cost responsibility surcharge ("CRS")
11 applicable to departing load customers as well as the associated 2013 market price benchmark
12 ("MPB") and (3) non-bypassable Local Generation Charge ("LGC") applicable to all benefiting
13 customers proposed by SDG&E in Application ("A.") 11-05-023 consistent with the Cost
14 Allocation Mechanism ("CAM") policy adopted in California Public Utilities Commission
15 ("CPUC" or "Commission") Decision ("D.") 06-07-029 and D.11-05-005. The allocation of
16 allowances revenues related to California's Greenhouse Gas ("GHG") Cap-and-Trade Program is
17 being addressed in Rulemaking ("R.") 11-03-012² and is not addressed in this Application.

18

¹ This testimony supersedes my October 1, 2012 testimony submitted in this proceeding.

² A proposed decision was issued November 16, 2012.

1 My testimony is organized as follows:

- 2 • **Section II – 2013 ERRa and CTC Rate Impacts:** presents the rate impacts
3 associated with the 2013 ERRa and CTC revenue requirements;

- 4 • **Section III – Non-Bypassable Charges**

- 5 A. **Power Charge Indifference Adjustment (“PCIA”)** applicable to departing
6 load customers:

- 7 1. provides background on the non-bypassable PCIA component of the
8 CRS;

- 9 2. presents the Indifference Amount methodology including:

- 10 a) the revised 2013 MPB methodology;

- 11 b) the Total Portfolio methodology and vintaging; and

- 12 c) the 2013 Indifference Amount and resulting PCIA.

- 13 B. **Cost Allocation Mechanism (“CAM”)** applicable to bundled, direct access
14 (“DA”) and community choice aggregation (“CCA”) customers: describes
15 and seeks approval of the non-bypassable, as proposed in A.11-05-023; and

- 16 • **Section IV – Qualifications:** presents my qualifications.

17 **II. 2013 ERRa AND CTC RATE IMPACTS**

18 SDG&E’s 2013 ERRa and CTC revenue requirement forecasts, as set forth in the direct
19 testimony of SDG&E witness Amanda Jenison, are \$1,015.531 million (including franchise fees
20 and uncollectibles (“FF&U”)) and \$42.028 million (including FF&U), respectively, which
21 represent an increase of \$194.061 million and decrease of \$7.162 million from the implemented
22 2012 levels. The ERRa and CTC combined revenue requirement reflects an increase of
23 approximately \$186.898 million from implemented 2012 levels. The proposed revenue

1 requirement would increase the current system average rate from 16.154 cents per kWh³ to 17.212
2 cents per kWh, or an increase of 1.058 cents per kWh or 6.55%. Included as Attachment A to this
3 Amended Application is a table summarizing the illustrative rate impacts by customer class.

4 SDG&E's 2013 ERRAs and CTC revenue requirement forecasts are for recovery of 2013
5 calendar year costs; however, due to the timing difference resulting from regulatory lag, rate
6 recovery of the calendar year costs are not implemented into customer rates beginning on
7 January 1 of the forecast year. Until a decision is approved, SDG&E will continue to recover the
8 ERRAs and CTC costs based on the authorized 2012 ERRAs and CTC calendar year revenue
9 requirements currently in rates which combined are \$186.898 million lower than the combined
10 forecasted 2013 revenue requirements.

11 While SDG&E originally requested a rate implementation date of April 1, 2013 for the
12 proposed revenue requirements, the procedural schedule in this proceeding now provides a
13 potential rate implementation date of May 1, 2013. Historically, the ERRAs Forecast proceeding
14 revenue requirements for calendar years 2011 and 2012 were implemented in September of the
15 respective year while the revenue requirements for calendar years 2009 and 2010 were
16 implemented in May of the respective year.

17 **III. NON-BYPASSABLE CHARGES**

18 The Commission has approved two different non-bypassable charges: (1) the PCIA
19 applicable to departing load customers to preserve bundled customer indifference and (2) the CAM
20 applicable to all benefiting customers including bundled, DA and CCA customers, for resources
21 determined to be needed for local reliability purposes.

³ Effective September 1, 2012 (Advice Letter ["AL"] 2396-E).
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1 **A. POWER CHARGE INDIFFERENCE ADJUSTMENT (“PCIA”)**

2 **1. BACKGROUND**

3 In D.06-07-030, as modified by D.07-01-030, the Commission adopted the Total Portfolio
4 methodology and a MPB methodology for determining the above-market costs associated with the
5 utility/California Department of Water Resources (“DWR”) Total Portfolio and replaced the DWR
6 power charge component of the DA CRS with the PCIA recognizing the need to expand the
7 definition of cost responsibility for departing load customers from just DWR resources to the
8 above-market costs of the total portfolio. In D.07-01-025, the Commission adopted the same Total
9 Portfolio methodology, MPB methodology and PCIA calculation for CCA customers.
10 Furthermore, although the ERRA forecast filing directly addresses only SDG&E’s fuel and
11 purchased power costs, the Commission ordered that the calculation of PCIA and associated
12 revenues must be included in the ERRA forecast proceeding.

13 In D.08-09-012, guidelines were developed for determining the cost responsibility for the
14 various departing load types. The Commission ruled that Municipal Departing Load (“MDL”)
15 (with the exception of large municipalizations) and Customer Generator Departing Load
16 (“CGDL”) shall be exempt from non-bypassable charges related to “new world” generation
17 resources that were not procured on their behalf. Thus, to the extent that there are MDL and
18 CGDL customers, these customers are responsible only for the above-market costs associated with
19 resources procured before January 1, 2003, as well as the above-market costs associated with the
20 DWR supply (to the extent that they are not otherwise exempt from the DWR supply). Pursuant to
21 the Commission’s ruling in D.08-09-012, all future CGDL are exempt from the PCIA as well. The
22 Commission also determined that former DA load that is eligible to return to DA, and does so, is
23 subject to the same CRS treatment as large MDL and CCA. Furthermore, the Commission

1 approved a vintaging methodology, thereby linking the cost responsibility of departing load
2 customers to their departure date, to ensure that departing load customers pay their fair share of
3 above-market costs associated with the Total Portfolio of resources that were acquired to serve
4 them prior to their departure from bundled load service in order to preserve bundled customer
5 indifference. Therefore, the departing load is not required to pay for above-market costs
6 associated with utility procurement commitments after that load departs.

7 On May 10, 2012, the Commission approved D.11-12-018 which implemented various
8 updates and reforms in the rate setting methodologies and rules applicable to DA service in
9 recognition of regulatory and industry changes that have occurred in recent years that have
10 impacted energy procurement practices. The decision revised the methodology for the MPB used
11 to calculate above-market costs and DA customers' cost responsibility. The same MPB
12 methodology is used to calculate the CTC and the vintage PCIAs. Changes to the MPB
13 methodology included a renewable portfolio standards adder ("RPS adder") (to more accurately
14 reflect the market value of renewable resources) and an updated resource adequacy capacity adder
15 ("CAP adder") which consequently results in vintage MPBs. The Total Portfolio calculation was
16 revised to better reflect time of use load variations and also removed load-related costs incurred by
17 the California Independent System Operator ("CAISO") and charged to the investor-owned
18 utilities. My testimony takes into account these various decisions and directives of the
19 Commission.

20 **2. INDIFFERENCE AMOUNT METHODOLOGY**

21 To maintain bundled customer indifference to the departure of SDG&E customers to
22 non-utility service, SDG&E calculates the indifference amount to determine the cost responsibility
23 for DA, CCA and other departing load then allocates the amount to those customers through a

1 non-bypassable charge called the PCIA. Under Commission rules, departing customers are
2 responsible for their fair share of above-market costs incurred by the utility on behalf of those
3 customers when electric generation costs exceed the current market price. The indifference
4 amount consists of those above-market costs and is comprised of the sum of CTC revenue
5 requirement and PCIA. It is calculated by subtracting the market value of the supply resources
6 (using a MPB, as explained above) from the actual costs of applicable supply resources. The
7 PCIA is then calculated by taking the indifference amount and subtracting the above-market costs
8 already charged to customers through the CTC charge. Details of the MPB, the Total Portfolio
9 methodology (including vintaging) and the resulting PCIA are described below.

10 **a) 2013 MARKET PRICE BENCHMARK (“MPB”)**

11 The MPB is a calculated proxy which represents the market value of electricity. Recent
12 changes to DA rate setting methodologies, approved in D.11-12-018, directed the California
13 utilities to update the MPB calculation methodology used for calculating the CTC and PCIA.
14 With the addition of an RPS adder to the MPB, the utilities are required to submit the following
15 information annually to the Energy Division by October 1:

- 16 • most recent 12 months figures derived from US Department of Energy survey of
17 Western US renewable energy premiums in calculating a weighted proxy for the
18 Market Price Benchmark compiled by the National Renewable Energy Laboratory; and
- 19 • all RPS-compliant resources that are used to serve customers during the current year
20 (i.e., most recent 12 months) and those projected to serve customers during the next
21 year, including both contracts and IOU-owned resources, including the projected costs
22 together with the net qualifying capacity of energy produced by each of these resources

1 (providing relevant costs in dollars and volumes in MWh and qualifying capacity in
2 kW).⁴

3 The Energy Division provides the utilities with the Utility Retained Generation green
4 (“URGgreen”) component of the RPS adder and the CAP adder to be used to determine MPB for
5 the current forecast year. With the addition of a RPS adder and a CAP adder to the MPB
6 calculation methodology, SDG&E now has vintage MPBs. Furthermore, the MPB calculation
7 must be weighted to reflect variations in load shape on a time-of-use basis based upon the most
8 recent IOU bundled load profile data that is publicly available.⁵

9 In calculating the above-market costs for the On-going CTC, SDG&E used a MPB of
10 \$50.16/MWh which was calculated using SDG&E’s forecasted 2013 Total Portfolio resources
11 based on the 2013 input assumptions recently provided by the Energy Division.

12 **b) TOTAL PORTFOLIO AND VINTAGING METHODOLOGY**

13 Pursuant to D.06-07-030, the utilities implemented a Total Portfolio methodology to reasonably
14 ensure that bundled customers are indifferent with respect to departing load. Rather than focus on
15 each individual resource cost, the Total Portfolio method recognizes that because bundled
16 customers are served from the entire portfolio of commodity resources, when load departs, the
17 utility may offset a portion of the departing load costs through additional market sales.

18 The use of the Total Portfolio methodology treats bundled and departing load customers in
19 a similar manner by allowing both to benefit from below-market resources and requiring all
20 customers – utility and non-utility – to pay their respective share of above-market costs. To derive
21

⁴ D.11-12-018 at Ordering Paragraph (“OP”) 4.

⁵ D.11-12-018 at OP 7.

1 the indifference amount, the market value of the supply portfolio is subtracted from the Total
2 Portfolio costs.

3 The market value of the supply portfolio is calculated by multiplying the MPB by the total
4 MWhs in the supply portfolio. If the indifference amount is positive, the Total Portfolio costs are
5 above-market for the year. Given that DA, CCA and other departing load customers pay for
6 certain above-market costs recovered in the CTC rate component, the CTC revenue requirement is
7 then subtracted from the indifference amount to determine the PCIA.

8 In instances where the PCIA is positive, SDG&E determines the remittance to DWR and
9 SDG&E's allocation of the DWR revenue requirement is reduced by this amount. If the
10 indifference amount is less than or equal to zero, then the PCIA is set to zero for customer billing
11 purposes. As determined by the Commission in D.07-05-005, negative amounts are tracked for the
12 purpose of applying against any future positive indifference amounts prior to subtracting the CTC
13 revenue requirement.

14 The Commission's Order in D.08-09-012 adopted a vintaging methodology which is a
15 process of assigning a departure date to departing load customers in order to determine those
16 customers' Total Portfolio resource obligation. If a customer provides notice to the utility of its
17 departure prior to July 1 in a given year, then the departing load is assigned the vintage of Total
18 Portfolio resources from the prior calendar year. If notice to the utility is provided on or after
19 July 1, then the departing load is assigned the vintage of Total Portfolio resources in that same
20 calendar year. For current non-exempt DA customers, the vintage of resources excludes those
21 added by SDG&E after 2001 when DA was suspended. Former DA load that is eligible to return
22 to DA with the limited reopening of DA under Senate Bill ("SB") 695 is subject to the PCIA
23 calculations applicable to large MDL and CCA.

1 **c) 2013 INDIFFERENCE AMOUNT AND PCIA**

2 In SDG&E’s 2012 ERRRA forecast implementation advice letter filing, SDG&E calculated
3 positive PCIAAs for both DA and CCA. There is no CCA load, large MDL or CGDL customers
4 subject to the PCIA on SDG&E’s system, and therefore, there is no tracking of negative amounts
5 or billing for positive amounts for CCA, large MDL or CGDL. In September 2012, consistent
6 with D.12-07-006, SDG&E implemented its 2012 vintage and updated its 2011 vintage PCIAAs for
7 2012, with the 2011 vintage being applicable to customers departing load in the first half of the
8 year and the 2012 vintage being applicable to customers departing load in the second half of the
9 year. Likewise, in this Application, SDG&E is proposing to update the 2012 vintage PCIAAs and to
10 calculate the 2013 vintage PCIAAs to account for customers’ departing load in the second half of
11 2013.⁶

12 With respect to this 2013 ERRRA proceeding, SDG&E’s supply portfolio to calculate the
13 2013 indifference amount and the resulting 2013 vintage PCIAAs includes applicable costs from
14 SDG&E’s forecasted 2013 ERRRA and CTC revenue requirements, authorized 2013 DWR costs
15 allocated to SDG&E and SDG&E’s authorized 2013 Non-Fuel Generation Balancing Account
16 (“NGBA”) revenue requirement.

17 SDG&E’s 2013 vintage PCIAAs applicable to departing load are included in Attachment A
18 of this testimony. However, since SDG&E has no CCA load or large MDL, there will be no
19 remittance forecast to DWR, even if the applicable PCIAAs are positive.

20 **B. COST ALLOCATION MECHANISM (“CAM”)**

21 My testimony seeks approval of the Local Generation Charge (“LGC”), an accounting
22 mechanism necessary to recover costs that are deemed to be subject to the CAM. Other associated

⁶ The 2012 vintage PCIAAs are applicable to customers’ departing load in the first half of 2013.

1 balancing account and accounting mechanism requests regarding the CAM are described in
2 Ms. Jenison's associated, amended direct testimony. At the time of this Application, SDG&E does
3 not anticipate incurring CAM-related costs in 2013. Therefore, there are no CAM-related cost
4 recovery requests in this Application.

5 SDG&E proposed, in A.11-05-023, to implement the LGC which is designed to recover
6 new generation costs as a per kilowatt hour non-bypassable charge from all benefiting customers
7 which includes all bundled service, DA and CCA customers. As discussed in Ms. Jenison's
8 testimony, SDG&E negotiated a purchase power agreement ("PPA") for a resource-adequacy
9 product with Calpine Energy Services L.P. ("Calpine") for its Sutter power plant. SDG&E was
10 authorized to record the contract costs in the Sutter Energy Center Memorandum Account
11 ("SECMA") and intends to recover the costs associated with the PPA, consistent with the CAM
12 policy, through the LGC proposed in A.11-05-023.⁷ As of the date of this Application, a final
13 decision has not been issued in A.11-05-023⁸. If the Commission does not render a final decision
14 approving the CAM-related accounting mechanism and rate recovery mechanism in A.11-05-023
15 or another proceeding before its Proposed Decision is issued in the instant proceeding, SDG&E
16 respectfully requests that the Commission approve the LGC in its final decision in this case to
17 ensure timely recovery of the costs recorded in the SECMA.

18
19 This concludes my amended prepared direct testimony.
20

⁷ Disposition letter from Energy Division approving SDG&E's AL 2354-E, issued and effective on May 25, 2012.

⁸ A proposed decision and an alternate proposed decision were issued on November 20, 2012.

1 **IV. QUALIFICATIONS**

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

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

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

16 I have previously testified before this Commission on cost recovery issues.

ATTACHMENT A

Attachment A: 2013 PCIA

Customer Class	2013 Power Charge Indifference Adjustment (PCIA) (\$/kWh)					
	Old World Generation	2009 Vintage	2010 Vintage	2011 Vintage	2012 Vintage	2013 Vintage
Market Benchmark Price	\$50.16	\$59.57	\$61.32	\$60.06	\$64.96	\$69.86
Residential						
Non-Continuous	\$0.00530					
Small Commercial						
Non-Continuous	\$0.00770					
New Non-Continuous		\$0.00554	\$0.00653	\$0.00808	\$0.00646	\$0.00627
New Continuous		\$0.00440	\$0.00542	\$0.00696	\$0.00543	\$0.00533
Medium/Large Commercial & Industrial						
Non-Continuous	\$0.00633					
New Non-Continuous		\$0.00455	\$0.00536	\$0.00664	\$0.00531	\$0.00515
New Continuous		\$0.00362	\$0.00445	\$0.00571	\$0.00446	\$0.00438
Agricultural						
Non-Continuous	\$0.00668					
New Non-Continuous		\$0.00481	\$0.00566	\$0.00701	\$0.00561	\$0.00544
New Continuous		\$0.00382	\$0.00471	\$0.00604	\$0.00471	\$0.00463
Streetlighting						
Non-Continuous	\$0.00000					
New Non-Continuous		\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000
New Continuous		\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000