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

DIRECT TESTIMONY OF

YVONNE M. LE MIEUX

SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
October 1, 2012

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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") rate recovery proposals for the portfolio of resources addressed in this proceeding, specifically (1) rate impacts associated with the cost recovery of the 2013 Energy Resource Recovery Account ("ERRA") and On-going Competition Transition Charge ("CTC") revenue requirements, (2) 2013 Indifference Amount and the resulting non-bypassable 2013 Power Charge Indifference Adjustment ("PCIA") component of the cost responsibility surcharge ("CRS") applicable to departing load customers as well as the associated 2013 market price benchmark ("MPB") and (3) non-bypassable Local Generation Charge ("LGC") applicable to all benefiting customers proposed by SDG&E in Application ("A.") 11-05-023 consistent with the Cost Allocation Mechanism ("CAM") policy adopted in California Public Utilities Commission ("CPUC" or "Commission") Decision ("D.") 06-07-029 and D.11-05-005.

The allocation of allowances revenues related to California's Greenhouse Gas ("GHG") Cap-and-Trade Program is being addressed in Rulemaking ("R.") 11-03-012 and R.10-05-006 and is not addressed in this Application. When the Commission reaches a final decision in these proceedings during 2013, SDG&E will comply with the Commission's forthcoming directive. SDG&E anticipates updating its testimony to address the allocation of allowance revenues related to GHG in its amended 2013 ERRA Forecast Application during the first quarter of 2013.

My testimony is organized as follows:

- **Section II – 2013 ERRA and CTC Rate Impacts**: presents the rate impacts associated with the 2013 ERRA and CTC revenue requirements;
- **Section III – Non-Bypassable Charges**
  - A. **Power Charge Indifference Adjustment ("PCIA")** applicable to departing load customers:
    1. provides background on the non-bypassable PCIA component of the CRS;
    2. presents the Indifference Amount methodology including:
       - a) the revised 2013 MPB methodology;
       - b) the Total Portfolio methodology and vintaging; and
       - c) the 2013 Indifference Amount and resulting PCIA.
  - B. **Cost Allocation Mechanism ("CAM")** applicable to bundled, direct access ("DA") and community choice aggregation ("CCA") customers: describes and seeks approval of the non-bypassable, as proposed in A.11-05-023; and
- **Section IV – Qualifications**: presents my qualifications.

II. 2013 ERRA AND CTC RATE IMPACTS

SDG&E's 2013 ERRA and CTC revenue requirement forecasts, as set forth in the direct testimony of SDG&E witness Amanda Jenison, are approximately $1,103.743 million and $51.834 million, respectively, which represent an increase of $282.273 million and $2.643 million from the implemented 2012 levels. The ERRA and CTC combined revenue requirement reflects an increase of approximately $284.917 million from implemented 2012 levels. The proposed revenue requirement would increase the current system average rate from 16.154 cents per kWh[1] to 17.755 cents per kWh, or an increase of 1.601 cents per kWh or 9.91%. Included as Attachment C to this Application is a table summarizing the illustrative rate impacts by customer class.

SDG&E's 2013 ERRA and CTC revenue requirement forecasts are for recovery of 2013 calendar year costs; however, due to the timing difference resulting from regulatory lag, rate recovery of the calendar year costs are not implemented into customer rates beginning on January 1 of the forecast year. Until a decision is approved, SDG&E will continue to recover the ERRA and CTC costs based on the authorized 2012 ERRA and CTC calendar year revenue requirements currently in rates which combined are $284.917 million lower than the combined forecasted 2013 revenue requirements.

SDG&E is requesting a rate implementation date of April 1, 2013 for the proposed revenue requirements. Historically, the ERRA Forecast proceeding revenue requirements for calendar years 2011 and 2012 were implemented in September of the respective year while the revenue requirements for calendar years 2009 and 2010 were implemented in May of the respective year.

III. NON-BYPASSABLE CHARGES

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

[1] Effective September 1, 2012 (Advice Letter ["AL"] 2396-E).

A. POWER CHARGE INDIFFERENCE ADJUSTMENT ("PCIA")

1. BACKGROUND

In D.06-07-030, as modified by D.07-01-030, the Commission adopted the Total Portfolio methodology and a MPB methodology for determining the above-market costs associated with the utility/California Department of Water Resources ("DWR") Total Portfolio and replaced the DWR power charge component of the DA CRS with the PCIA recognizing the need to expand the definition of cost responsibility for departing load customers from just DWR resources to the above-market costs of the total portfolio. In D.07-01-025, the Commission adopted the same Total Portfolio methodology, MPB methodology and PCIA calculation for CCA customers. Furthermore, although the 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 be included in the ERRA forecast proceeding.

In D.08-09-012, guidelines were developed for determining the cost responsibility for the various departing load types. The Commission ruled that Municipal Departing Load ("MDL") (with the exception of 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 the DWR supply). Pursuant to the Commission's ruling in D.08-09-012, all future CGDL are exempt from the PCIA as well. The Commission also determined that former DA load that is eligible to return to DA, and does so, is subject to the same CRS treatment as large MDL and CCA. Furthermore, the Commission approved a vintaging methodology, thereby linking the cost responsibility of departing load customers to their departure date, to ensure that departing load customers pay their fair share of above-market costs associated with the Total Portfolio of resources that were acquired to serve them prior to their departure from bundled load service in order to preserve bundled customer indifference. Therefore, the departing load is not required to pay for above-market costs associated with utility procurement commitments after that load departs.

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

2. INDIFFERENCE AMOUNT METHODOLOGY

To maintain bundled customer indifference to the departure of SDG&E customers to non-utility service, SDG&E calculates the indifference amount to determine the cost responsibility for DA, CCA and other departing load then allocates the amount to those customers through a non-bypassable charge called the PCIA. Under Commission rules, departing customers are responsible for their fair share of above-market costs incurred by the utility on behalf of those customers when electric generation costs exceed the current market price. The indifference amount consists of those above-market costs and is comprised of the sum of CTC revenue requirement and PCIA. It is calculated by subtracting the market value of the supply resources (using a MPB, as explained above) from the actual costs of applicable supply resources. The PCIA is then calculated by taking the indifference amount and subtracting the above-market costs already charged to customers through the CTC charge. Details of the MPB, the Total Portfolio methodology (including vintaging) and the resulting PCIA are described below.

a) 2013 MARKET PRICE BENCHMARK ("MPB")

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

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

(providing relevant costs in dollars and volumes in MWh and qualifying capacity in kW).[2]

In response to the submission, the Energy Division will provide the utilities with the Utility Retained Generation green ("URGgreen") component of the RPS adder and the CAP adder to be used to determine MPB for the current forecast year. With the addition of a RPS adder and a CAP adder to the MPB calculation methodology, SDG&E now has vintage MPBs. Furthermore, the MPB calculation must be weighted to reflect variations in load shape on a time-of-use basis based upon the most recent IOU bundled load profile data that is publicly available.[3]

Since the utilities are not required to submit the RPS-compliant resources input data to the Energy Division until October 1 to calculate the URGgreen component of the RPS adder and the 2013 vintage MPBs will be based on daily forward price quotes from October 1 through October 31, 2012, the 2013 vintage MPBs are not available for this filing. In calculating the above-market costs for the On-going CTC, SDG&E used a MPB of $47.24/MWh which was calculated using SDG&E's forecasted 2013 Total Portfolio resources based on the 2012 Energy Division input assumptions. Once the updated information is available, SDG&E will amend this Application to reflect the revised 2013 vintage MPBs.

b) TOTAL PORTFOLIO AND VINTAGING METHODOLOGY

Pursuant to D.06-07-030, the utilities implemented a Total Portfolio methodology 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 because

[2] D.11-12-018 at Ordering Paragraph ("OP") 4.
[3] D.11-12-018 at OP 7.

bundled customers are served from the entire portfolio of commodity resources, when load departs, the utility may offset a portion of the departing load costs 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 requiring all customers – utility and non-utility – to pay their respective share of above-market costs. To derive the indifference amount, the market value of the supply portfolio is subtracted from the Total Portfolio costs.

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

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

The Commission's Order in D.08-09-012 adopted a vintaging methodology which is a process of assigning a departure date to departing load customers in order to determine those customers' Total Portfolio resource obligation. If a customer provides notice to the utility of its departure 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 notice to the utility is provided on or after

July 1, then the departing load is assigned the vintage of Total Portfolio resources in that same calendar year. 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 Senate Bill ("SB") 695 is subject to the PCIA calculations applicable to large MDL and CCA.

c) 2013 INDIFFERENCE AMOUNT and PCIA

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

With respect to this 2013 ERRA proceeding, SDG&E's supply portfolio to calculate the 2013 indifference amount and the resulting 2013 vintage PCIAs includes applicable costs from SDG&E's forecasted 2013 ERRA and CTC revenue requirements, authorized 2013 DWR costs allocated to SDG&E and SDG&E's authorized 2013 Non-Fuel Generation Balancing Account ("NGBA") revenue requirement.

[4] The 2012 vintage PCIAs are applicable to customers' departing load in the first half of 2013.

Since the 2013 vintage MPBs are not currently available, as described above in the 2013 MPB section III.A.2.a, it is not possible at this time to provide the 2013 vintage PCIAs for DA, CCA and other departing load. Once the 2013 MPB is available, SDG&E will provide its 2013 vintage PCIAs applicable to departing load. However, since SDG&E has no CCA load or large MDL, there will be no remittance forecast to DWR, even if the applicable PCIAs are positive.

B. COST ALLOCATION MECHANISM ("CAM")

My testimony seeks approval of the Local Generation Charge ("LGC"), an accounting mechanism necessary to recover costs that are deemed to be subject to the CAM. Other associated balancing account and accounting mechanism requests regarding the CAM are described in Ms. Jenison's associated, direct testimony. At the time of this Application, SDG&E does not anticipate incurring CAM-related costs in 2013. Therefore, there are no CAM-related cost recovery requests in this Application.

SDG&E proposed, in A.11-05-023, to implement the LGC which is designed to recover new generation costs as a per kilowatt hour non-bypassable charge from all benefiting customers which includes all bundled service, DA and CCA customers. As discussed in Ms. Jenison's testimony, SDG&E negotiated a purchase power agreement ("PPA") for a resource-adequacy product with Calpine Energy Services L.P. ("Calpine") for its Sutter power plant. SDG&E was authorized to record the contract costs in the Sutter Energy Center Memorandum Account ("SECMA") and intends to recover the costs associated with the PPA, consistent with the CAM policy, through the LGC proposed in A.11-05-023.[5] As of the date of this Application, a proposed decision or final decision has not been issued in A.11-05-023. If the Commission does not render

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[5] Disposition letter from Energy Division approving SDG&E's Advice Letter 2354-E, issued and effective on May 25, 2012.

a decision regarding the CAM-related accounting mechanisms in A.11-05-023 or another proceeding before its Proposed Decision is issued in the instant proceeding, SDG&E respectfully requests that the Commission approve the LGC in its final decision in this case to ensure timely recovery of the costs recorded in the SECMA.

This concludes my prepared direct testimony.

IV. 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 GRC and Revenue Requirement 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 testified before this Commission on cost recovery issues.