

Proceeding No.: A.14-04-
Exhibit No.: _____
Witness: Yvonne M. Le Mieux

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

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

April 15, 2014



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1 **DIRECT TESTIMONY OF**

2 **YVONNE M. LE MIEUX**

3 **ON BEHALF OF SDG&E**

4 **I. OVERVIEW AND PURPOSE**

5 The purpose of my testimony is to present San Diego Gas & Electric Company's
6 ("SDG&E") rate recovery proposals for the portfolio of resources addressed in this proceeding,
7 specifically:

- 8 (1) to present the rate and bill changes associated with the cost recovery of the 2015
9 Energy Resource Recovery Account ("ERRA"), Ongoing Competition Transition
10 Charge ("CTC") and Local Generation ("LG") procurement revenue requirements;
11 and
12 (2) to propose rates for the non-bypassable charges, including:
13 (a) the 2015 Power Charge Indifference Adjustment ("PCIA") component of
14 the cost responsibility surcharge ("CRS") applicable to departing load
15 customers; and
16 (b) the Local Generation Charge ("LGC") applicable to all benefiting
17 customers.

18 Rate and bill changes associated with forecasted Greenhouse Gas ("GHG") cost are
19 addressed in SDG&E's Greenhouse Gas Forecast Application which is filed separately from and
20 concurrently with this Application.

21 For the reasons explained below, my testimony requests the following relief in the
22 California Public Utilities Commission's ("Commission") forthcoming decision in this
23 proceeding;

- 1 • adopt SDG&E’s proposed vintage 2015 PCIA rates; and
- 2 • adopt SDG&E’s proposed 2015 LGC rates, as indicated in Attachment A to my
- 3 testimony.

4 My testimony is organized as follows:

- 5 • **Section II – 2015 ERRAs, CTC and LG Rate Changes:** presents the rate changes
- 6 associated with the 2015 ERRAs, CTC and LG revenue requirements;

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

- 8 A. PCIA applicable to departing load customers:

- 9 1. provides background on the non-bypassable PCIA component of the
- 10 CRS;
- 11 2. presents the Indifference Amount methodology including:
- 12 a) the methodology for the 2015 Market Price Benchmarks
- 13 (“MPB”);
- 14 b) the methodology for the vintage 2015 Indifference Amounts
- 15 and resulting PCIA’s.

- 16 B. LGC applicable to bundled, direct access (“DA”) and community choice
- 17 aggregation (“CCA”) customers:

- 18 1. provides background on the LGC;
- 19 2. presents the methodology for the 2015 LGC;

- 20 • **Section IV – Summary:** summarizes the items SDG&E is requesting for
- 21 Commission approval; and
- 22 • **Section V – Qualifications:** presents my qualifications.

1 **II. 2015 ERRA, CTC AND LG RATE CHANGES**

2 SDG&E's 2015 ERRA, CTC and LG revenue requirement forecasts,¹ as set forth in the
3 direct testimony of SDG&E witness Sheri S. Miller, are approximately \$1,206.353 million,
4 \$16.233 million and \$6.949 million, respectively. This represents a decrease of \$3.712 million
5 from the 2014 ERRA revenue requirement forecast, an increase of \$0.874 million from the 2014
6 CTC revenue requirement forecast, and an increase of \$1.726 million from the 2014 LG revenue
7 requirement. The combined ERRA, CTC and LG revenue requirement reflects a decrease of
8 approximately \$1.112 million from the 2014 forecasted procurement levels. The \$1.112 million
9 decrease from the proposed 2014 revenue requirements to the proposed 2015 revenue requirements
10 would decrease the system average rate by 0.009 cents per kWh or (-0.05 %). Included as
11 Attachment C to this Application is a table summarizing the illustrative rate changes by customer
12 class.

13 As of the date of this filing, while a final decision has not yet been issued in SDG&E's
14 2014 ERRA revenue requirement forecast proceeding (A.13-09-017), the Commission issued a
15 proposed decision on April 8, 2014, adopting SDG&E's 2014 forecast as filed. Until the final
16 decision is approved, SDG&E will continue to recover the ERRA and CTC costs based on the
17 authorized 2013 ERRA and CTC calendar year revenue requirements currently in rates² of
18 \$944.600 million and \$43.077 million, respectively, which combined are \$241.858 million lower
19 than the combined forecasted 2015 revenue requirements for the ERRA, CTC and LG.³

¹ Revenue requirements include franchise fees and uncollectible expenses ("FF&U").

² Effective April 1, 2014 per Advice Letter ("AL") 2587-E.

³ The LG revenue requirement associated with local reliability resources is new for 2014; therefore, SDG&E does not have a 2013 LG revenue requirement currently in rates.

1 **III. NON-BYPASSABLE CHARGES**

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

6 **A. POWER CHARGE INDIFFERENCE ADJUSTMENT**

7 **1. BACKGROUND**

8 In Decision (“D.”) 06-07-030, as modified by D.07-01-030, the Commission established
9 authority for the PCIA component of the CRS to preserve bundled customer indifference and
10 ensure departing load customers pay their share of the cost responsibility associated with the
11 above-market costs, or indifference amount, of the utilities’ total procurement resource portfolio.⁴

12 In D.08-09-012, the Commission continued to refine the indifference amount
13 methodology to ensure bundled customer indifference by introducing the requirement to vintage
14 departing load customers, based on their departure date, when determining the customers’ cost
15 responsibility for the total portfolio of resources. Assigning customers to a vintage ensured that
16 departing load customers pay their fair share of above-market costs associated with the specific
17 vintage portfolio of resources that were acquired to serve them prior to their departure from
18 bundled load service in order to preserve bundled customer indifference. Subsequently, the
19 departing load customers are not required to pay for above-market costs associated with utility
20 procurement commitments after that load departs.

21

⁴ In D.07-01-025, the Commission adopted the PCIA methodology for CCA customers.

1 D.11-12-018 adopted further reform to the indifference amount methodology in recognition
2 of regulatory and industry changes that impacted energy procurement practices. Changes to the
3 MPB methodology, used to determine the market value of electricity, included the addition of a
4 renewable portfolio standards adder (“RPS adder”) to more accurately reflect the market value of
5 renewable resources and a revised resource adequacy capacity adder (“CAP adder”) which results
6 in vintage MPBs. The vintage portfolio of resources calculation was revised to better reflect
7 time-of-use load variations and also removed load-related costs incurred by the California
8 Independent System Operator (“CAISO”) that are then charged to the utilities.

9 My testimony takes into account these various decisions and directives of the Commission.

10 **2. INDIFFERENCE AMOUNT METHODOLOGY**

11 Under Commission rules, departing customers are responsible for their fair share of above-
12 market costs, or indifference amount, incurred by the utility on behalf of those customers when
13 electric generation costs exceed the current market price, or market price benchmark. To maintain
14 bundled customer indifference to the departure of SDG&E’s customers to non-utility service,
15 SDG&E calculates the indifference amount to determine the cost responsibility for DA, CCA and
16 other departing load, specifically:

$$17 \text{Indifference Amount} = \text{CTC} + \text{PCIA}$$

18 **a) 2015 MARKET PRICE BENCHMARK METHODOLOGY**

19 The above-market costs for both the CTC and PCIA are determined using a MPB, a
20 calculated proxy, which represents the market value of electricity. This methodology is consistent
21 with Commission directives, specifically D.11-12-018 and Resolution E-4475. The Energy
22 Division provides the utilities with input factors for the MPB’s Utility Retained Generation green
23 (“URGreen”) component of the RPS adder and the CAP adder for the current forecast year. In

1 calculating the above-market costs for the CTC, SDG&E used a MPB of \$54.79/MWh which was
2 calculated using SDG&E's forecasted 2015 total portfolio of resources based on the 2014 Energy
3 Division input factors since the 2015 input factors are not available. Once the updated 2015
4 Energy Division input is available, SDG&E will amend this Application to reflect the revised 2015
5 MPB for calculating the CTC and present the 2015 MPBs associated with each vintage for
6 calculating PCIA rates for each of the vintages.⁵

7 **b) 2015 INDIFFERENCE AMOUNT AND PCIA**
8 **METHODOLOGY**

9 As of the date of this Application, SDG&E has not received a final decision authorizing
10 the vintage 2014 PCIA rates⁶ and continues to bill DA customers⁷ the vintage 2013 PCIA rates
11 authorized in D.13-10-053. In this Application, SDG&E is proposing to update the currently
12 effective vintage PCIA rates and to calculate the vintage 2015 PCIA rates to account for
13 customers' departing load in the second half of 2015. With respect to this 2015 ERRA
14 proceeding, SDG&E's portfolio of resources to calculate the vintage 2015 indifference amounts
15 and the resulting 2015 PCIA's will include applicable costs from SDG&E's forecasted 2015
16 ERRA, CTC and LG revenue requirements, authorized 2015 Department of Water Resources
17 ("DWR") costs allocated to SDG&E, and SDG&E's authorized 2015 Non-Fuel Generation
18 Balancing Account ("NGBA") revenue requirement. However, since the 2015 DWR and NGBA
19 revenue requirements as well as the vintage 2015 MPBs are not currently available,⁸ it is not

⁵ The Energy Division has historically provided the input factors annually in November.

⁶ The vintage 2014 PCIA rates were proposed in SDG&E's 2014 ERRA Forecast Proceeding (A.13-09-017).

⁷ SDG&E has no CCA load, large MDL or CGDL customers on its system that are subject to the PCIA.

⁸ The vintage 2015 MPBs are described above in Section III.A.2.a. As noted in footnote 6, SDG&E expects to supplement this testimony in November 2014 once that information is available.

1 possible at this time to provide the vintage 2015 PCIA rates. Once the information is available,
2 SDG&E will provide its vintage 2015 PCIA rates applicable to DA and CCA customers.⁹

3 **B. LOCAL GENERATION CHARGE**

4 **1. BACKGROUND**

5 In D.13-03-029, the Commission authorized SDG&E to implement the LGC rate
6 component, which is designed to recover new generation costs for local reliability that are deemed
7 to be subject to the Cost Allocation Mechanism (“CAM”) policy adopted in
8 D.06-07-029 and D.11-05-005, as a per kilowatt hour non-bypassable charge from all benefiting
9 customers.¹⁰

10 **2. 2015 LGC METHODOLOGY**

11 As discussed in Ms. Miller’s testimony, SDG&E forecasts a 2015 LG revenue requirement
12 of \$6.949 million for its approved new generation resources. SDG&E intends to recover the costs
13 through the LGC consistent with the Commission’s CAM policy. The revenue requirement will be
14 allocated among all customer classes based on the 12-month coincident peak (“12 CP”) demand
15 methodology and then dividing the customer class allocated revenues by the authorized sales by
16 customer class. The proposed resulting per kilowatt hour rates by customer class to be charged to
17 all benefiting customers through the LGC rate component are presented in Attachment A of my
18 testimony.

⁹ Although there is no CCA load on SDG&E’s system, SDG&E is required to provide PCIA rates for potential CCA customers.

¹⁰ Includes all bundled service, DA and CCA customers.

1 **IV. SUMMARY AND RELIEF REQUESTED**

2 Consistent with the rate recovery proposed in my testimony, SDG&E requests the
3 following relief in the Commission’s forthcoming decision in this proceeding:

- 4 • adopt SDG&E’s proposed vintage 2015 PCIA rates, as will be provided in SDG&E’s
5 expected November 2014 update to this Application; and
- 6 • adopt SDG&E’s proposed 2015 LGC rates, as indicated in Attachment A to this
7 testimony.

8
9 This concludes my prepared direct testimony.

10

1 **V. 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 Project Manager II – Supervisor in the Electric Rate Compliance
4 section of the Electric Rates & Analysis department. My current responsibilities include
5 implementing electric rate changes and analytical support for cost recovery and rate design.

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

12 I received a Bachelor of Science degree in Business Administration with Distinction in
13 Accounting from San Diego State University in 2003. I have been a Certified Public Accountant
14 (“CPA”), licensed in the State of California, since 2005. I have held the Certified Internal
15 Auditor (“CIA”) designation since 2006 and the Chartered Global Management Accountant
16 (“CGMA”) designation since 2012.

17
18 I have previously testified before this Commission.

**SAN DIEGO GAS & ELECTRIC COMPANY - ELECTRIC DEPARTMENT
2015 ERRR Forecast**

Attachment A

LGC - LOCAL GENERATION CHARGE

	Proposed LGC Rate (\$/KWhr)
Residential	0.00036
Small Commercial	0.00036
Med&Lg C&I	0.00031
Agriculture	0.00036
Lighting	0.00025
System Total	0.00033