

Application of SAN DIEGO GAS & ELECTRIC
COMPANY (U 902 E) For Authority To
Implement Optional Pilot Program To Increase
Customer Access To Solar Generated Electricity

And Related Matter

Application Nos. 12-01-008, 12-04-020 (consolidated)
Exhibit No.: _____

**UPDATED PREPARED DIRECT TESTIMONY OF
CHRIS YUNKER
CHAPTER 3
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

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

December 6, 2013



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1 **B. Conformance to Senate Bill 43 (Wolk)**

2 As stated in the Testimony of James Avery (Ch.1) and as ordered in ALJ Clark’s Scoping
3 Memo and ruling issued in this proceeding on October 25, 2013, This updates my testimony
4 served May 10, 2013 in order to address conformance to the provisions of California Senate Bill
5 (“SB”) 43, which will become law on January 1, 2014. Citations to sections herein are to
6 sections of SB 43 as codified, unless otherwise indicated. A summary of these changes is
7 provided below and in-line changes have been incorporated throughout the document.

- 8 • § 2833 (k) The *SunRate* and *Share the Sun* program commodity cost credit has been
9 updated to reflect the class average commodity cost rather than the average
10 commodity cost
- 11 • § 2833 (k) The *SunRate* and *Share the Sun* program solar value adjustment has been
12 updated to reflect that the value is measured between the class average time of
13 delivery profile and the generation profile of the *connected.....to the sun* resource.
- 14 • § 2833 (n) The testimony has been updated to clarify that participating customers
15 shall pay all otherwise applicable charges without modification.

16 **II. *SunRate* PRICING**

17 As further described in the testimony of Aaron Franz, the *SunRate* will allow any bundled
18 customer an option to buy solar energy through a simple, tariff-based rate.³ SDG&E will

(...footnote continued from previous page) the consolidated proceeding on October 25, 2013, which orders SDG&E to submit revised testimony to support its proposed programs. This revised prepared testimony, along with SDG&E’s other testimony described herein, is submitted pursuant to the October 25, 2013 scoping memo. The testimony is revised from that served May 10, 2013, in three regards: (1) to address compliance with Senate Bill (“SB”) 43; (2) to reflect program modifications based on further consideration, including input from other interested parties; and (3) edits aimed to improve presentation.

³ See testimony of Aaron Franz, Ch.2, p.10.

1 allocate up to 10 MW of solar energy for the initial *SunRate* pilot program from local solar
2 facilities.⁴ Customers will have the option to buy solar energy in volumes equal to all or just a
3 portion of their total energy usage, which will be priced based on the price SDG&E pays for
4 solar energy with the necessary adjustments to keep non-participating customers indifferent.

5 SDG&E proposes that the *SunRate* pricing includes (1) the associated cost of solar
6 energy and (2) adjustments to offset the utility's avoided costs in order to maintain non-
7 participant ratepayer indifference. For the *SunRate* program, avoided costs include SDG&E's
8 class average commodity cost, the value of solar energy and capacity produced through the
9 program, and the Power Charge Indifference Adjustment ("PCIA"), which avoids creating a
10 cross subsidy by covering the participant's share of the above market costs of resources that have
11 already been procured by SDG&E on behalf of all customers. Also included in *SunRate* avoided
12 costs are CAISO⁵ Grid Management Charges ("GMCs") embedded in the class average
13 commodity costs, again, to avoid shifting these costs between customers. This pilot service will
14 offer customers access to pricing advantages over rooftop solar provided by economies of scale
15 and locations with maximum sun exposure, while protecting bundled ratepayers, participants and
16 non-participants alike, from exposure to cross-subsidies.

17 **A. Basis for *SunRate* pricing**

18 The pricing for *SunRate* includes five components: (1) the cost of local solar, (2) the
19 value of solar energy and capacity, (3) SDG&E's class average commodity cost, (4) the PCIA,
20 and (5) CAISO GMCs. The cost of local solar and the value of solar are fixed at the time of

⁴ The direct testimony of Hillary Hebert describes the process and selection of solar facilities that will support *SunRate* customer subscriptions. Pursuant to SB 43, SDG&E will limit the overall capacity of the *connected.....to the sun* programs to 59 MW.

⁵ California Independent System Operator Corporation.

1 customer’s application for the customer’s selected contract term. The illustrative table below
 2 shows the calculation that would underlie a *SunRate* customer’s bill.

Pricing Methodology (Illustrative Values)		
Cost of Local Solar (\$/kWh) (Based on existing SunRate Pool)		\$0.08912/kWh
Value of Solar Energy and Capacity	-	\$0.00527/kWh
<i>SunRate</i>	=	\$0.08385/kWh
SDG&E’s Class Average Commodity Cost	-	\$0.08013/kWh
PCIA	+	\$0.00017/kWh
CAISO GMC	+	\$0.00069/kWh
Customer Service Adjustment	=	\$0.00086/kWh
Total	=	\$0.00458/kWh

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 4
 5 Although a *SunRate* customer’s pricing consists of five components, a *SunRate*
 6 customer’s bill would include only three line item adjustments⁶: (1) the *SunRate*, which is the
 7 cost of local solar less the solar value adjustment, (2) SDG&E’s class average commodity cost,
 8 and (3) the Customer Service Adjustment (“CSA”) which is the PCIA plus CAISO GMCs.
 9 Depending upon how total electric commodity costs and CSA compare to the cost of local solar
 10 secured through the *SunRate* program, there can be either a premium or discount to the
 11 participant’s otherwise applicable bill.

⁶ SDG&E may revise the final customer bill presentation and line items to better meet the needs of customers or billing operational needs, as described in the testimony of Aaron Franz in Chapter 2, Section IV.A.4.

1 **B. *SunRate* Billing Calculations**

2 The *SunRate* billing calculations are designed to maintain bundled customer indifference.
3 The line item adjustments on a *SunRate* customer’s otherwise applicable bill reflect the cost to be
4 served by local solar relative to SDG&E’s average bundled portfolio commodity cost.

5 **1. Line Item for *SunRate***

6 A participating customer’s bill will show a line item multiplying the incremental cost for
7 the *SunRate* by the participant’s monthly energy consumption and participation level (current
8 RPS percentage to 100 percent of energy usage). The line item is made up of two components.
9 The first is the cost of local solar secured for the *SunRate* program, as outlined in the testimony
10 of Hillary Hebert in Chapter 4, pp. 9 - 10. The second is the solar value adjustment which
11 calculates the relative value of energy and capacity for the solar resources supporting the
12 *SunRate* program compared to SDG&E’s current portfolio of resources serving all bundled load.
13 The solar value is netted against the cost of local solar. The calculation of the solar value
14 adjustment is described in Section IV below.

15 **2. Line Item for SDG&E’s Average Commodity Cost by Customer Class**

16 SDG&E’s class average commodity cost is credited to the *SunRate* customer. This cost
17 is used as a proxy to reflect SDG&E’s avoided commodity costs, which ideally would be
18 reflected in the average commodity rate by customer class. However, because of the reasons
19 described below, SDG&E finds that it is necessary to make the following adjustments to the
20 average commodity rate in order to better reflect the avoided cost. Currently there is a timing
21 disconnect between when ERRA-related costs are incurred and the rate implementation timing of
22 SDG&E’s ERRA forecast. Further, balances related to ERRA trigger proceedings can impact
23 commodity rates. SDG&E has noted the impact of this timing disconnect in ERRA trigger
24 proceedings. Since this can cause the ERRA portion of the commodity rate to differ notably

1 from the costs, SDG&E is substituting the ERRA component of the average commodity rate by
2 customer class with an ERRA forecast value in order to adjust for ERRA Trigger Balances to
3 better approximate avoided costs.

4 **3. Line Item for Customer Service Adjustment (“CSA”)**

5 The CSA consists of the PCIA and GMCs. The PCIA comprises the above market cost
6 of SDG&E’s existing procurement portfolio and is calculated annually. This is a cost that is
7 ultimately born by all customers for resources that were procured on their behalf. For Direct
8 Access (“DA”) or Community Choice Aggregation customers, the PCIA is included in the cost
9 responsibility surcharge line item on their bill. For SDG&E’s retail customers the above market
10 costs are blended into SDG&E’s class average commodity cost. Because *SunRate* customers are
11 now electing to participate in the *SunRate* and are credited the class average commodity cost on
12 their bill, the PCIA must be applied to ensure these customers continue to share in the above
13 market costs for resources that were already procured on their behalf. Otherwise, non-participant
14 ratepayers would shoulder those shares of the above market cost of the existing procurement
15 portfolio avoided by customers who have elected to ‘green’ their resource mix using *SunRate*.

16 GMCs are also included in the CSA. GMCs include energy usage charges, energy
17 transmission service charges, and reliability services costs, all of which are allocated to load and
18 resources by the CAISO. These are service costs incurred on behalf of all bundled customers
19 and embedded in the class average commodity cost that is credited to participating customers.
20 Since these are costs for services provided to all bundled customers including program
21 participants they are added back so as not to shift costs from participants to non-participants.

22 Ancillary services are also incurred on behalf of all bundled customers. These costs are
23 included in Load CAISO Charges along with all energy costs and are not broken out separately.
24 Given that this is a pilot program SDG&E is not incorporating ancillary service costs at this time.

1 However, SDG&E will review these costs and along with all costs of commodity service once
2 the program participation is established and/or with any expansion of the program. SDG&E
3 intends to incorporate ancillary service costs and any other appropriate cost in the future.

4 **III. *Share the Sun* PRICING**

5 As further described in the testimony of Aaron Franz, *Share the Sun* is a community solar
6 program that will allow customers to purchase solar services (such as the rights to the capacity)
7 produced by a specific solar facility directly from participating solar providers.⁷ *Share the Sun*
8 participating solar providers will sell the participating facility's energy to SDG&E and will
9 contract with SDG&E customers to sell the rights to the capacity produced by such projects.
10 SDG&E will credit the customer's monthly bill for the contracted value of the energy produced
11 by the customer's subscribed portion of the solar facility's capacity. SDG&E proposes to
12 contract for a limited quantity of local solar resources to support *Share the Sun* as described in
13 the testimony of Hillary Hebert in Chapter 4, p. 11. This program is intended to provide an
14 additional solar alternative for customers and to expand the potential customer base for solar
15 developers.

16 **A. Basis for *Share the Sun* Pricing**

17 *Share the Sun* uses the same fundamental pricing structure as *SunRate*, including a solar
18 value adjustment, a credit for SDG&E's class average commodity cost, the PCIA, and GMCs.
19 One main difference between the two programs is that the solar energy allocated to *Share the*
20 *Sun* customers can vary independent of a customer's actual annual energy use, much like the net
21 energy metering arrangement used for traditional rooftop solar. While the subscription levels are
22 based upon a customer's annual usage as described in the testimony of Aaron Franz in Chapter 2,

⁷ See Testimony of Aaron Franz, Ch.2, p. 17-18.

1 p. 20, the amount of energy customers receive will depend on each customer's agreement with
2 their respective *Share the Sun* developer/providers.

3 In terms of the underlying pricing calculations, there are additional differences between
4 *SunRate* and *Share the Sun*. The main difference is that the cost of local solar is replaced by the
5 cost of the subscriptions rights in the developer's facility, which is primarily negotiated between
6 the customer and the developer, but includes an underlying SDG&E bill charge and credit for the
7 facility rate established by the solar facility's power purchase agreement between SDG&E and
8 the developer. As described in the testimony of Hillary Hebert in Chapter 4, p. 16, the Re-MAT
9 price is paid by SDG&E for subscribed and unsubscribed portions of a *Share the Sun* facility.
10 Therefore, a *Share the Sun* customer is charged for that price, noted on the bill as the *Share the*
11 *Sun Rate*.⁸ Moreover, because the *Share the Sun* customer has purchased the subscription rights
12 from the developer, that customer is assigned a credit equal to the Facility Rate, or Re-MAT, on
13 their bill. This ultimately results in a lower overall net bill to SDG&E.

⁸ SDG&E may revise the final customer bill presentation and line items to better meet the needs of customers or billing operational needs, as described in the testimony of Aaron Franz in Chapter 2, Section IV.A.4.

Pricing Methodology		
Illustrative Values		
Re-MAT Fit Starting Price (TOD Adjusted passed on typical solar profile)		\$0.10440/kWh
Value of Solar Energy and Capacity	-	\$0.00527/kWh
<i>Share the Sun Rate</i>	=	\$0.09913/kWh
SDG&E's Class Average Commodity Cost	-	\$0.08013/kWh
PCIA	+	\$0.00017/kWh
CAISO GMC	+	\$0.00069/kWh
Customer Service Adjustment	=	\$0.00086/kWh
Total	=	\$0.01986/kWh
Re-MAT FiT Credit (Rights to this Capacity are Assigned to the Customer from the from Developer)	-	\$0.10440/kWh
Net Adjustment To Customer	=	(\$0.08454/kWh)

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2 **B. *Share the Sun* Billing Calculations**

3 The billing calculations for the *Share the Sun* program are designed to create bundled
4 customer indifference and mitigate cost shifts from the *Share the Sun* program. The customer's
5 otherwise applicable bill for *Share the Sun* would show one more line item than the *SunRate*, for
6 a total of four additional line items.

1 **1. Line Item for *Share the Sun* Rate**

2 A participating customer’s bill will show a line item multiplying the incremental cost for
3 the *Share the Sun* Rate by the participant’s subscription level in the solar facility. The line item
4 is made up of two components. The first is the Re-MAT price as outlined in the testimony of
5 Hillary Hebert in Chapter 4, p. 16. The second is the solar value adjustment which calculates the
6 relative value of energy to the customer class average time of delivery profile and any capacity
7 value of the *Share the Sun* solar resource to SDG&E’s portfolio of resources serving SDG&E’s
8 bundled load. The calculation of the solar value adjustment is described in Section IV below.

9 **2. Line Item for SDG&E’s Average Commodity Cost**

10 As described in Section II.B.2 above, SDG&E’s class average commodity cost is used as
11 a proxy for SDG&E’s avoided commodity cost. In order to better reflect the class average
12 commodity cost, SDG&E adjusts the class average commodity rate as discussed in Section II.B.2
13 above.

14 **3. Line Item for Customer Service Adjustment**

15 As noted in Section II.B.3. above, since *Share the Sun* customers are credited the class
16 average commodity cost on their bill, the Customer Service Adjustment (which includes the
17 PCIA and GMCs) must be applied to ensure these customers continue to share in the above
18 market costs for resources that were already procured on their behalf and the services that they
19 receive as a bundled customer.

20 **4. Line Item for Re-MAT Credit**

21 The *Share the Sun* customer has acquired subscription rights to a facility’s output and is
22 provided with the SDG&E bill credits equal to the solar facility’s kWh output assigned to the
23 customer and multiplied by the Re-MAT price of the facility.

1 **IV. BUNDLED CUSTOMER PROTECTIONS – MAINTAINING INDIFFERENCE**

2 The appropriate determination of avoided cost is crucial to maintaining bundled customer
3 indifference to the allocation of solar generation under these programs. This avoided cost is the
4 marginal unit of output avoided by the last increment of generation. This assures that costs of
5 the proposed programs are not shifted to non-participants. Holding non-participants indifferent
6 is critical to creating a structure that will allow solar adoption to grow in a sustainable manner,
7 that is, without market-distorting and unfair cross-subsidies.

8 In order to build such a sustainable platform, the programs must provide participants the
9 benefits that solar energy provides. Correspondingly, participant costs must not be shifted to
10 bundled customers that do not participate in the program. The *connected.....to the sun* programs
11 avoid cost shifts through two adjustments. First, there is an adjustment to recover the
12 participant’s share of any above-market costs associated with the balance of SDG&E’s resources
13 that have already been procured to serve them. That is accomplished by applying the PCIA as
14 set forth in the Commission’s decision adopting DA reforms (D.11-12-018).

15 Second, there is an adjustment to account for any differences in the value of the solar
16 energy allocated to the programs and the value of the energy from the balance of SDG&E
17 resources including, for example, any Resource Adequacy (“RA”) value that the project
18 provides. This is done to ensure that any incremental value associated with the solar energy
19 from *connected.....to the sun* projects goes to the program participants. The appropriate
20 calculation of the bundled customer indifference adjustments will avoid cross-subsidies among
21 customers and permit long-term, sustainable growth of these programs.

22 The following sections detail how the indifference amount is calculated for the proposed
23 pilot programs.

1 Given that SDG&E is proposing a minimum one-year participation and fixed terms along
2 with an early termination fee for the *connected.....to the sun* programs (see Section IV.H, *infra*),
3 the items b. and c. in the above quote do not apply to the proposals in this Application. These
4 items were designed to avoid gaming opportunities where a customer might choose to start DA
5 service to take advantage of spot prices when they are below the utility portfolio price and then
6 return to utility service when spot prices increase above the utility portfolio price, concerns not
7 applicable given the terms of the proposed programs.

8 **B. The ratio of on and off peak energy to account for solar energy's value**
9 **relative to SDG&E's customer class average time of delivery profiles is**
10 **consistent with the calculation of the bundled customers' indifference**
11 **amount.**

12 The PCIA, as updated in D.11-12-018, includes a ratio of on-peak and off-peak energy
13 based on SP15 prices, which is used to establish the energy value in SDG&E's balance of
14 resources for the Market Price Benchmark ("MPB") used in the PCIA calculation. It is therefore
15 consistent with the indifference amount calculation to make an adjustment to account for the
16 energy value of solar for *Share the Sun* and *SunRate* relative to the energy in the bundled
17 portfolio. The \$/kWh adjustment is determined by calculating the difference of the energy value
18 in SDG&E's portfolio and energy value from the solar projects used to serve either *SunRate* or
19 *Share the Sun* participants using the same SP15 prices and on-peak and off-peak energy ratios.

20 The combination of the solar value relative to the portfolio above and class average
21 commodity cost credit accomplishes the "renewables adjustment value representing the
22 difference between the time-of-delivery profile of the eligible renewable energy resource used to
23 serve the participating customer and the class average time-of-delivery profile." The portion of
24 the adjustment outlined above accounts for the value of solar relative to the portfolio of
25 resources. The class average commodity cost then accounts for the difference between the cost

1 of the portfolio of resources and the customer's class average time-of delivery profile. This is
2 done to comply with SB 43.

3 However, we do not believe that this is the correct calculation by which to satisfy
4 customer indifference. It would be more appropriate to credit the customer the average
5 commodity cost, not the class average commodity cost as stipulated by SB 43. The customer
6 **does not** change the load that is being served by SDG&E by participating in this program. The
7 customer's participation **does** change the mix of resources used to serve SDG&E's load.
8 Therefore for customer indifference the appropriate thing would be to credit the customer the
9 average commodity cost, provide a solar value adjustment that reflect the change in the cost of
10 the portfolio and charge the customer through the otherwise applicable bill for the load that the
11 utility is serving which accounts for the customer class load shape.

12 **C. The methodology to determine the RA capacity value in the PCIA is the**
13 **appropriate adjustment for the difference in RA value between SDG&E's**
14 **balance of resources and the solar energy used to serve *connected.....to the***
15 ***sun*.**

16 The PCIA, as updated in D. 11-12-018, also includes a methodology for establishing a
17 \$/MWh value of RA capacity included within SDG&E's balance of resources. The same
18 calculation will be used to establish any incremental difference in RA value associated with the
19 solar energy used to serve *connected.....to the sun* programs and SDG&E's balance of resources.
20 This is done to pass the incremental value that *connected.....to the sun* solar energy provides on
21 to program participants.

22 **D. Differences in line losses between SDG&E's portfolio and *connected.....to the***
23 ***sun* resources**

24 For the pilot program no line loss adjustment is made to account for any difference there
25 may, or may not be, in line losses from program projects and line losses from SDG&E's balance
26 of resources. Additional analysis is needed to determine what, if any, material difference there is

1 in any potential reduction in transmission line losses relative to any potential increase in
2 distribution line losses those same projects may incur. The issue of line losses will be reviewed
3 based on experience under the pilot if and when the *connected.....to the sun* program is expanded
4 in order to determine if a calculable difference in line losses can be identified.

5 **E. Vintaging resources underlying indifference amount calculations is**
6 **consistent with the PCIA**

7 SDG&E proposes to “vintage” PCIA charges consistent with D.11-12-018. This ensures
8 that participants are responsible for the cost of those resources, and only those resources, that
9 were procured prior to the customer’s participation in *connected.....to the sun*. This includes
10 renewable contracts that have been contracted for but will begin deliveries at a future date.

11 **F. Administrative Costs of Pricing Options**

12 SDG&E will include an incremental administrative charge for participants associated
13 with the pricing options to be made available under *connected.....to the sun*, as described in the
14 testimony of Aaron Franz in Section VII. SDG&E anticipates that there will be incremental
15 administrative costs incurred for this program and will factor these costs into the monthly charge
16 noted below. SDG&E proposes that any incremental administrative costs would be paid for by
17 participating customers. SDG&E proposes the following mechanism in the event it seeks
18 recovery of such incremental administrative costs:

- 19 • Monthly charge (\$/month) for recovery of administrative costs
- 20 • Establishment of a memorandum account to track both administrative costs and
21 revenues associated with the monthly fee. The monthly charge would then be
22 adjusted for under/over-collections resulting from differences between administrative
23 costs and collected revenues to ensure that the costs are recovered through
24 participating customers only

1 Details on the cost recovery mechanism for *connected.....to sun* are addressed in the
2 testimony of Norma Jasso.

3 **G. Renewable Integration Costs**

4 At this time, SDG&E does not incorporate any renewable integration costs into the prices
5 for the *connected.....to the sun* pilots. However, SDG&E remains open to reviewing what
6 renewable integration costs would be appropriate to incorporate into the programs in the
7 appropriate Commission proceeding. Moreover, SDG&E will consider the application of such
8 costs with any future expansion of the pilot programs. SDG&E would seek approval to amend
9 this or any other aspect of the program's pricing structure through the advice letter process.

10 **H. Service at end of contract duration**

11 Because the *connected.....to the sun* participant is an SDG&E customer, there are
12 negligible planning cost impacts in the return of that customer to service by the balance of
13 SDG&E's portfolio at the pilot program level of 20 MW (10 MW for *SunRate* and 10 MW for
14 *Share the Sun*). SDG&E remains the customer's Load Serving Entity and plans to meet it
15 requirements utilizing its total portfolio which includes resources procured under *connected.....to*
16 *the sun*.

17 **I. The Calculation of Early Termination Fees**

18 The early termination fee for *connected.....to the sun* is comprised of the above-market
19 costs associated with the participant's subscription of solar energy plus any administrative costs
20 associated with the participant's subscription. For the pilot program, the above market costs are
21 calculated as the present value of the forecasted difference between the cost of local solar and the
22 sum of the MPB in the PCIA calculation, the solar value adjustment, and green attributes. The
23 forecast to cover any costs uses the following assumptions:

- 24 1) The MPB is escalated with Henry Hub natural gas prices;

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- 2) The solar adjustments are set at the value established at the time of the customer's commitment;
- 3) The renewable premium is set at that year's DOE Adder in the PCIA and fixed over the remaining subscription term; and
- 4) The discount rate used to calculate the present value is the then applicable SDG&E rate of return.

A table of fixed termination costs by year and contract duration will be provided with each year's vintage. This is done to ease the participation decision by creating greater cost certainty for customers.

This concludes my prepared direct testimony.

1 **V. STATEMENT OF QUALIFICATIONS**

2 My name is Christopher F. Yunker. My business address is 8330 Century Park Court,
3 San Diego, California, 92123.

4 I have been employed as the Rates & Analysis Manager in the Strategic Pricing &
5 Analysis group of San Diego Gas & Electric Company since 2010. Prior to that I was employed
6 as Strategic Planning Manager from 2009 to 2010 in the same department. Before that I was
7 employed in various positions at SDG&E as a Principal Financial Analyst, Technology
8 Development Advisor, Resource Planner and Sr. Business Analyst. I began work with Sempra
9 Energy in 2002, working as a Financial Analyst with Sempra Connections. Prior to my work
10 with Sempra Energy, I worked for GEA Power Cooling Systems, Inc., as an Application
11 Engineer and Project Development Engineer.

12 I received a B.S. in Mechanical Engineering from the University of California, San Diego
13 and a Masters in Business Administration from the University of Southern California. I am a
14 Professional Engineer in Mechanical Engineering in the State of California.

15 I have previously testified before the Commission.