Application No: A. 13-08-
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Date: August 1, 2013
Witness: Yvonne M. Le Mieux

Application of San Diego Gas & Electric Company (U 902 E) to Return Revenues from the Sale of Greenhouse Gas Allowances and to Recover Forecasted Costs Associated with California's Greenhouse Gas Emissions Reduction Program for 2013 and 2014.	Application 13-08-___ (Filed August 1, 2013)

PREPARED DIRECT TESTIMONY OF

YVONNE M. LE MIEUX

SAN DIEGO GAS & ELECTRIC COMPANY

*****Public Version*****

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
August 1, 2013

TABLE OF CONTENTS

Page

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

I. PURPOSE

The purpose of my testimony is to describe the revenue return allocation methodology for greenhouse gas ("GHG") allowance revenues resulting from the auction of GHG allowances directly allocated to San Diego Gas and Electric ("SDG&E") by the California Air Resources Board ("ARB"). My testimony also identifies the 2013 and 2014 forecasted GHG allowance revenue return allocation amounts (including the climate dividend) and rate impacts associated with the forecasted 2013 and 2014 GHG costs and allowance revenue return bill credits.

II. BACKGROUND

On August 31, 2006 the Global Warming Solutions Act of 2006 or Assembly Bill 32 ("AB 32") was passed into law directing the ARB to adopt GHG emissions limits equivalent to 1990 levels by 2020. AB 32 required the ARB to adopt, monitor and enforce rules and regulations to achieve the specified requirements pursuant to the provisions of the law.

In Decision ("D.") 08-03-018, the California Public Utilities Commission ("Commission") recommended a market-based mechanism, or cap-and-trade program to reduce emissions. In D.08-10-037, the Commission provided further information about the potential consumer cost impact of various cap-and-trade design scenarios. Although the Commission issued policy recommendations, it was the ARB's role to determine if implementation of a cap-and-trade program in California would be appropriate.

The ARB issued Board Resolution 11-32 on October 20, 2011, detailing the proposed cap-and-trade program, and filed the Final Rulemaking Package on October 27, 2011. The Office of Administrative Law approved the Rulemaking and issued a Final Regulatory Order on December 13, 2011. Although the ARB's cap-and-trade program was approved, authorization for the utilities to buy and sell GHG allowances was being addressed in the Long-Term Procurement Plan

("LTPP") proceeding Rulemaking ("R.") 10-05-006 while the allocation of GHG allowance revenues continued to be an open issue in the GHG Order Instituting Rulemaking in R.11-03-012.

In D.12-04-046, approving Tracks I and III of the LTPP proceeding, the Commission granted SDG&E authority to recover costs associated with the cap-and-trade program through its Energy Resource Recovery Account ("ERRA"). In compliance with Ordering Paragraph ("OP") 10, SDG&E filed AL 2387-E to modify its ERRA preliminary statement to record costs incurred for GHG compliance transactions.

On June 27, 2012, Senate Bill ("SB") 1018 was passed, adding Public Utilities Code sections 748.5(a) and (c), which provide:

> 748.5(a) Except as provided in subdivision (c), the commission shall require revenues, including any accrued interest, received by an electrical corporation as a result of the direct allocation of greenhouse gas allowances to electric utilities pursuant to subdivision (b) of Section 95890 of Title 17 of the California Code of Regulations to be credited directly to the residential, small business, and emissions-intensive trade-exposed retail customers of the electrical corporation.
>
> 748.5(c) The commission may allocate up to 15 percent of the revenues, including any accrued interest, received by an electrical corporation as a result of the direct allocation of greenhouse gas allowances to electrical distribution utilities pursuant to subdivision (b) of Section 95890 of Title 17 of the California Code of Regulations, for clean energy and energy efficiency projects established pursuant to statute that are administered by the electrical corporation and that are not otherwise funded by another funding source.

In accordance with section 748.5(a), the Commission issued D.12-12-033, adopting a cap-and-trade GHG allowance revenue allocation methodology for investor-owned electric utilities; however, the formulas to distribute revenues to emissions-intensive trade exposed ("EITE") and small business customers required additional development before the methodology could be finalized and implemented. Due to the delay, the Commission ordered the utilities to defer including GHG costs and allowance revenues in rates for all retail customers until the implementation issues could be resolved to ensure customers would not be subject to GHG cost increases without the associated offset from GHG allowance revenues. Accordingly, pursuant to OP 20 of D.12-12-033, SDG&E filed AL 2452-E to establish the GHG Revenue Balancing Account ("GHGRBA") to record revenues received from the auction of GHG allowances. SDG&E continues to record GHG costs in its ERRA while recording GHG allowance revenues to its GHGRBA until further direction from the Commission.

On July 10, 2013, the Commission's Energy Division incorporated into the record, in R.11-03-012, the final staff proposal recommending the formulas and processes to distribute GHG allowance revenues to EITE and small business customers pursuant to D.12-12-033. A final decision adopting the final formulas and processes is still pending before the Commission.

III. CAP-AND-TRADE PROGRAM EMISSION ALLOWANCES

On January 1, 2012, ARB's approved cap-and-trade program was implemented to achieve California's GHG emissions reduction targets. This market-based regulation sets a cap on GHG emissions and allows firms to accomplish the GHG reduction goals at a minimum cost. Some facilities subject to the cap are allocated GHG emission allowances which can be traded or used directly for compliance. These facilities have the option of either reducing their own GHG emissions or purchasing GHG emission allowances at an ARB allowance auction from others who have made GHG emissions cuts beyond their obligations; however, the total GHG emissions must remain below the cap. Investor-owned utilities, such as SDG&E, are allocated free GHG allowances on behalf of their customers and are required to put their GHG allowances into the allowance auction. In accordance with OP 3 of D.12-12-033, the utilities were directed to allocate the revenues to all customers in the applicable customer groups set forth in the decision inclusive of Direct Access ("DA") and Community Choice Aggregator ("CCA") customers.

IV. GHG ALLOWANCE REVENUE RETURN ALLOCATION METHODOLOGY

Pursuant to OP 1 of D.12-12-033, the Commission directed the utilities to distribute GHG allowance revenues to customers using a hierarchy (see Table 1 below) after first setting aside appropriate amounts for customer outreach and education activities and administrative activities.

Furthermore, under section 748.5(c), the Commission may allocate up to 15 percent of the revenues received by an electrical corporation as a result of the direct allocation of GHG allowances to electrical distribution utilities for clean energy and energy efficiency projects that are not funded by another source.

Table 1 – GHG Allowance Revenue Return Allocation Hierarchy

Hierarchy	Description
1	Emission-intensive and trade-exposed entities
2	Offset cap-and-trade program rate impacts for small businesses
3	Neutralize cap-and-trade program rate impacts for residential customers
4	Climate Dividend for residential customers

A. 2013 GHG Allowance Revenue Return Calculation

For 2013, SDG&E forecasts the GHG allowance revenue return as follows:

Table 2 – 2013 Expected GHG Allowance Revenue Return

Line	Description	Amount
1	2013 Forecasted GHG Allowance Revenues	[redacted]
2	Less:	
3	Outreach and Education Activities	52,500
4	Administration Activities	425,000
5	Reserves for Clean Energy Investment	0
6	Expected Revenue Return	[redacted]

As discussed in Section II above, pursuant to OP 20 of D.12-12-033, the utilities were ordered to defer including GHG costs and allowance revenues in rates until further direction from the Commission. Currently, GHG costs are recorded to the GHG subaccount of ERRA and the allowance revenues are recorded to the GHGRBA. Upon implementation of the Commission-adopted revenue allocation methodology, SDG&E intends to amortize in rates, over a 24-month period, the outstanding balances recorded in these accounts.

Since 2013 is not complete, the actual 2013 GHG allowance revenue return is unavailable. Therefore, the amount to be amortized in rates over the 24-month period is based on forecasted 2013 GHG costs and allowance revenues. As discussed in the Direct Testimony of David T. Barker, SDG&E forecasts 2013 GHG allowance revenues of approximately [redacted]. The GHG allowance revenues are adjusted for amounts set aside to fund outreach and administration activities as well as clean energy and energy efficiency investments prior to determine the GHG allowance revenue available for return to customers. As discussed in Direct Testimony of Rick Janke, although SDG&E does not forecast outreach costs for 2013, SDG&E estimates its share of Targetbase's consulting fee costs of $52,500[1] and forecasted administrative costs of $425,000.[2] For 2013, SDG&E is not requesting authorization to set aside reserves for clean energy or energy efficiency investments. SDG&E estimates the 2013 GHG allowance revenue available for return to ratepayers to be approximately [redacted]

B. 2014 GHG Allowance Revenue Return Calculation

For 2014, SDG&E forecasts the GHG allowance revenue return as follows:

Table 3 – 2014 Expected GHG Allowance Revenue Return

Line	Description	Amount
1	2014 Forecasted GHG Allowance Revenues	[redacted]
2	Less:	
3	Outreach and Education Activities	175,000
4	Administration Activities	12,500
5	Reserves for Clean Energy Investment	11,000,000
6	Expected Revenue Return	[redacted]

1 SDG&E estimated 10.5% as its share of the $500,000 budgeted for consulting fees.

2 Simple average of 2013 forecasted administrative costs which are estimated to be between $350,000 and $500,000.

As discussed in the Direct Testimony of David T. Barker, SDG&E forecasts 2014 GHG allowance revenues of approximately [redacted]. Prior to distributing the GHG allowance revenues to electric customers, the revenues are adjusted to set aside funds for outreach and administration activities as well as clean energy and energy efficiency investments. For 2014, as discussed in the Direct Testimony of Rick Janke, SDG&E forecasts customer outreach costs of approximately $175,000 and administrative costs of approximately $12,500. In accordance with section 748.5(c), SDG&E requests that the Commission authorize SDG&E to allocate $11.0 million of the revenues to fund clean energy and energy efficiency investments. Therefore, if SDG&E's proposal is approved by the Commission, the forecasted net amount of GHG allowance revenue available for return to ratepayers for 2014 will be [redacted]

C. 2013 and 2014 GHG Allowance Revenue Return Allocation

In accordance with the GHG allocation methodology adopted in D.12-12-033, SDG&E's GHG allowance revenue return will be allocated to ratepayers, including DA and CCA customers, using the following methodology:

Table 4 – 2013 Expected GHG Allowance Revenue Return Allocation

Line	Description	Amount
1	2013 Expected Revenue Return Allocation:	
2	Emission-Intensive and Trade-Exposed Entities	837,000
3	Small Businesses	[redacted]
4	Residential Customers	
5	Climate Dividend	
6	Expected Revenue Return	

Table 5 – 2014 Expected GHG Allowance Revenue Return Allocation

Line	Description	Amount
1	2014 Expected Revenue Return Allocation:	
2	Emission-Intensive and Trade-Exposed Entities	1,146,000
3	Small Businesses	[redacted]
4	Residential Customers	
5	Climate Dividend	
6	Expected Revenue Return	

1. Emission-Intensive and Trade-Exposed Entities ("EITE")

Facilities identified as EITE are more formally referred to as Industrial Covered Entities that qualify for Industry Assistance in the ARB Cap-and-Trade Regulation. Using the Energy Division's allocation methodology recommended in the "Greenhouse Gas Allowance Revenue Allocation Methodologies for Emissions Intensive and Trade Exposed Entities and Small Businesses" (Staff Report), dated July 10, 2013, as outlined in the direct testimony of David T. Barker, the forecasted set aside for revenue return to EITE customers will be approximately $0.8 million for 2013 and $1.1 million for 2014. The Commission based its methodologies on those developed by the ARB to address direct emissions cost exposure under the cap-and-trade program. Bundled, DA and CCA customers identified as EITE will receive an annual fixed-amount on-bill credit based on CPUC calculations.

2. Small Businesses

Small businesses are defined as non-residential electric customers on a general service or agricultural tariff with monthly demand not exceeding 20 kilowatts for more than three months in a twelve-month period. Small businesses entitled to receive revenue return bill credits as defined above will include customers in SDG&E's Small Commercial, Medium and Large Commercial and Industrial, and Agricultural customer classes. Bundled, DA and CCA small business customers will receive the volumetric return in dollars per kilowatt hour ("kWh"). To meet the OP 1 of D.12-12-033, which directs the utilities to offset the rate impacts of the Cap-and-Trade program in the electricity rates of small businesses, the credit rate is volumetrically-calculated based on the amount of GHG-related costs that are allocated to the defined bundled small business customers, differentiated by customer class. The same credit rate, differentiated by customer class, will apply to DA and CCA customers to ensure they receive their share of GHG allowance revenues. Monthly, the revenue return bill credit will appear as a separate line-item on the customer's bills. This approach will increase transparency so that the customer can clearly identify their revenue return allocation amount. The forecasted return to small business customers for 2013 is [redacted][3] and for 2014 is [redacted][4], a total of approximately $15.6 million.

3. Residential Customers

The revenue return to residential customers is designed to neutralize the rate impacts of cap-and-trade program costs embedded in rates. As a result of Assembly Bill 1X[5] ("AB 1X") and Senate Bill 695[6] ("SB 695"), residential Tier 1 and 2 customers are protected from rate increases while Tier 3 and 4 customers essentially subsidize the increased costs. The Commission recognized that the current residential tiered rate structure disproportionately assigns costs to the upper tiers (Tier 3 and 4), therefore, authorized the utilities to use GHG allowance revenues to offset all GHG costs in the upper-tier residential rates. This revenue return methodology was put in place to avoid inequity between lower-tier and upper-tier residential rates and to avoid inclusion of GHG costs in upper-tier residential rates that is above their cost responsibility. Residential customers will receive their first revenue return in electric rates through a volumetrically-calculated rate adjustment. This same volumetric rate adjustment to Tier 3 and 4 rates will apply to DA and CCA customers. As set forth in the Direct Testimony of David T. Barker, SDG&E forecasts GHG cap-and-trade program costs of approximately [redacted] for 2013 and [redacted] for 2014, of which residential customers are allocated 42.45% based on SDG&E's currently authorized commodity allocation factors. The resulting revenue return for bundled, DA

3 Amount adjusted for franchise fees and uncollectible expense ("FF&U").
4 Amount adjusted for FF&U.
5 In 2001, in response to the energy crisis, Legislature passed AB 1X which froze Tier 1 and 2 rates.
6 SB 695 limits increases to Tier 1 and 2 rates for both California Alternative Rates for Energy ("CARE") and non-CARE customer. CARE Tier 1 and 2 rates have remained frozen since SB 695 was enacted.

and CCA residential customers is expected to be about [redacted][7] for 2013 and [redacted][8] for 2014, a total of approximately $65.4 million.

4. Climate Dividend

Remaining GHG allowance revenues will be allocated to all residential customers on an equal cents-per-residential-account basis which will be credited to customers semi-annually as an on-bill credit. This distribution method was determined to be the most equitable for residential customers. For 2013, the climate dividend is forecasted to be approximately [redacted] which would result in a climate dividend of about [redacted] semi-annually or [redacted] total for the year. For 2014 the climate dividend is forecasted to be approximately [redacted] which would result in a climate dividend of about [redacted] semi-annually or [redacted] total for the year. If the two years are combined and the 2013 climate dividend is credited in two payments, the climate dividend would equal $42.93 for each semi-annual payment to each household.

V. RATE IMPACT

Tables 6 – 8 reflect the estimated monthly electric rate impacts of the 1) forecasted GHG costs to be recovered from customers, 2) forecasted GHG allowance revenue return to be credited to customers, and 3) GHG allowance revenue return credited to customers offsetting the GHG costs recovered from customers. The percentages shown do not necessarily reflect the changes that a customer may see on a bill. Actual changes in individual bills will depend on how much electricity each customer uses.

[7] Amount adjusted for FF&U.
[8] Amount adjusted for FF&U.

A. GHG Costs

The following table represents the illustrative class average rate impacts for the forecasted 2013 and 2014 GHG costs that will be recovered from customers.

Table 6 – 2013 and 2014 GHG Costs Class Average Rate Impacts

	Current Total Rate (¢/KWhr)	Proposed Total Rate (¢/KWhr)	Total Rate Change (¢/KWhr)	Total Rate Change (%)
Residential	18.322	18.912	0.590	3.22%
Small Commercial	18.158	18.793	0.635	3.50%
Med & Lg C&I	14.474	15.101	0.627	4.33%
Agriculture	17.653	18.259	0.606	3.43%
Lighting	14.920	15.357	0.437	2.93%
System Total	16.269	16.879	0.610	3.75%

B. GHG Allowance Revenue Return

The following table represents the illustrative class average rate impacts for the forecasted 2013 and 2014 GHG allowance revenue return that will be credited to customers. The small businesses and EITE, as defined in D.12-12-033, are represented in more than one customer class. Small businesses entitled to receive GHG allowance revenue bill credits will include customers in SDG&E's Small Commercial, Medium & Large Commercial & Industrial, and Agricultural customer classes. EITE customers are anticipated to include SDG&E's Small Commercial, and Medium & Large Commercial & Industrial customer classes. Since bill credits for small businesses and EITE are included in more than one customer class, rate impacts specific to each group are not shown in Table 7.

Table 7 – 2013 and 2014 GHG Allowance Revenue Return Class Average Rate Impacts

	Current Total Rate (¢/KWhr)	Proposed Total Rate (¢/KWhr)	Total Rate Change (¢/KWhr)	Total Rate Change (%)
Residential	**18.322**	**16.735**	**(1.587)**	**-8.66%**
Small Commercial	**18.158**	**17.713**	**(0.445)**	**-2.45%**
Med & Lg C&I	**14.474**	**14.445**	**(0.029)**	**-0.20%**
Agriculture	**17.653**	**17.497**	**(0.156)**	**-0.88%**
Lighting	**14.920**	**14.920**	**0.000**	**0.00%**
System Total	**16.269**	**15.614**	**(0.655)**	**-4.03%**

C. GHG Costs Offset by GHG Allowance Revenue Return

The following table represents the illustrative class average rate impacts for the combined forecasted 2013 and 2014 GHG costs offset by the GHG allowance revenue return.

Table 8 – 2013 and 2014 GHG Costs Offset by GHG Allowance Revenue Return Class Average Rate Impacts

	Current Total Rate (¢/KWhr)	Proposed Total Rate (¢/KWhr)	Total Rate Change (¢/KWhr)	Total Rate Change (%)
Residential	**18.322**	**17.325**	**(0.997)**	**-5.44%**
Small Commercial	**18.158**	**18.348**	**0.190**	**1.05%**
Med & Lg C&I	**14.474**	**15.072**	**0.598**	**4.13%**
Agriculture	**17.653**	**18.103**	**0.450**	**2.55%**
Lighting	**14.920**	**15.357**	**0.437**	**2.93%**
System Total	**16.269**	**16.224**	**(0.045)**	**-0.28%**

VI. QUALIFICATIONS

My name is Yvonne M. Le Mieux. I am employed by SDG&E as a Project Manager II in the Electric Rates section of the Electric Rates & Analysis department. My business address is 8330 Century Park Court, San Diego, California, 92123.

I graduated from the San Diego State University in 2003 with a Bachelor of Science degree in Business Administration with Distinction in Accounting. I have been a Certified Public Accountant, licensed in the state of California, since 2005. I have held the Certified Internal Auditor designation since 2006 and the Chartered Global Management Accountant designation since 2012.

I have been employed with SDG&E and Sempra Energy since 2003. In addition to my current position in Electric Rates & Analysis, 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. In my current position, my responsibilities include implementing electric rate changes and analytical support for cost recovery and rate design.

I have previously submitted testimony and testified before the California Public Utilities Commission.

This concludes my Prepared Direct Testimony.

BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION OF YVONNE M. LE MIEUX

Application 13-08-xxx

Application of SDG&E to Return Revenues from the Sale of Greenhouse Gas Allowances and to Recover Forecasted Costs Associated with California's Greenhouse Gas Emissions Reduction Program.

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

1. I am a Project Manager in the Electric Rates and Analysis Department for San Diego Gas & Electric Company (SDG&E). As such, I prepared SDG&E's forecast of 2013 and 2014 greenhouse gas (GHG) allowance revenue return allocation amounts and the rate impacts associated with the forecasted 2013 and 2014 GHG costs and allowance revenue return bill credits. I am 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, except for those matters expressly stated to be based on information provided to me, and as to those matters, I believe them to be true.

2. The data described in the table below does not expressly fall within any category of the Matrix of Allowed Confidential Treatment of Investor Owned Utility Data, adopted as Appendix 1 to D.06-06-066 (the Matrix), but is market sensitive information analogous to Procurement Costs, Category XI in the Matrix, and is entitled to confidential treatment under D.06-06-066, D.08-04-023, Public Utilities Code section 454.5(g) and General Order 66-C:

Confidential Information	Facts Showing the Consequence of Release
GHG Cost Forecasts Page YML - 8, lines 22-23	Providing these forecasts to market participants would allow them to know SDG&E's GHG market holding position, thereby compromising SDG&E's contractual bargaining power such that customer costs are likely to rise. Thus, the release of this non-public confidential information will unjustifiably allow market participants to use this information to the disadvantage of SDG&E's customers.

3. All information on past or future bidding strategies, current cap-and-trade allowance price expectations, and GHG price expectations is confidential pursuant to the rules of the Air Resources Board as promulgated in Article 5, the Cap-and-Trade regulation, section

95914 (d). The following sections are confidential to comply with the ARB rules and regulations:

Confidential Information	Facts Showing the Consequence of Release
SDG&E price expectations Page YML – 4, Table 2, line 1 and line 6	Would provide information on SDG&E GHG price expectations contravening ARB regulations and compromising SDG&E's contractual bargaining power
SDG&E price expectations Page YML – 5, line 6 and line 14, Table 3, line 1 and line 6	Would provide information on SDG&E GHG price expectations contravening ARB regulations and compromising SDG&E's contractual bargaining power
SDG&E price expectations Page YML – 6, line 2 and line 10, Table 4, lines 3-6	Would provide information on SDG&E GHG price expectations contravening ARB regulations and compromising SDG&E's contractual bargaining power
SDG&E price expectations Page YML – 7, Table 5 lines 3-6	Would provide information on SDG&E GHG price expectations contravening ARB regulations and compromising SDG&E's contractual bargaining power
SDG&E price expectations Page YML – 8, line 8 and lines 22-23	Would provide information on SDG&E GHG price expectations contravening ARB regulations and compromising SDG&E's contractual bargaining power
SDG&E price expectations Page YML – 9, line 1 and lines 7-10	Would provide information on SDG&E GHG price expectations contravening ARB regulations and compromising SDG&E's contractual bargaining power

4. I am aware of one instance where the 2013 GHG cost forecast on page YML – 8, line 22 of my testimony was inadvertently disclosed to the public. I am not aware of any instances where the confidential information described above in Paragraphs 2 and 3 was intentionally disclosed to the public.

6. The confidential information described in Paragraphs 2 and 3 above 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, except for what has already been provided in aggregated form.

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

Executed this 1st day of August, 2013, at San Diego, California.

/s/ Yvonne M. Le Mieux

Yvonne M. Le Mieux
Project Manager II
Electric Rates & Analysis
San Diego Gas & Electric Company