

Proceeding No.: A.10-10-xxx  
Exhibit No.: \_\_\_\_\_  
Witness: Yvonne M. Le Mieux

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

***\*\*Redacted, Public Version\*\****

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA  
October 1, 2010**



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

4 **I. INTRODUCTION**

5 The purpose of my testimony is to address cost recovery related to San Diego Gas &  
6 Electric Company's ("SDG&E's") Energy Resource Recovery Account ("ERRA") and  
7 Competition Transition Charge ("CTC") revenue requirements. My testimony:

- 8 ■ describes SDG&E's ERRA and Transition Cost Balancing Account ("TCBA");
- 9 ■ sets forth SDG&E's forecasted 2011 ERRA and CTC revenue requirements; and
- 10 ■ discusses the ERRA trigger mechanism and SDG&E's proposal to modify the  
11 trigger mechanism by offsetting an ERRA under/overcollection by a Non-Fuel Generation  
12 Balancing Account ("NGBA") over/undercollection when calculating the monthly ERRA  
13 trigger.

14 **II. BACKGROUND**

15 Pursuant to Decisions ("D.")02-10-062 and D.02-12-074, the purpose of the ERRA is to  
16 provide full recovery of SDG&E's energy procurement costs associated with serving SDG&E's  
17 bundled service customers. SDG&E's ERRA revenue requirement consists of energy procurement  
18 costs partially offset by Independent System Operator ("ISO") revenues. Energy procurement  
19 costs include expenses associated with ISO energy and ancillary services load charges, contract  
20 costs, generation fuel costs, ISO-related costs, hedging costs and previously approved equity re-  
21 balancing costs related to the FIN 46(R) consolidation of the Otay Mesa Energy Center  
22 ("OMEC"). Under the ISO's Market Redesign and Technology Upgrade ("MRTU"), which  
23 upgrades the efficiency of energy dispatch, SDG&E receives revenues for selling all of its

1 generation from SDG&E’s utility generation and supply contracts to the ISO. The ISO revenues  
 2 received reduce the energy procurement cost and therefore reduce the ERRA revenue requirement.  
 3 Accordingly, the ERRA records actual energy procurement costs (offset by ISO revenues) and  
 4 revenues from SDG&E’s Electric Energy Commodity Cost (“EECC”) rate schedule, adjusted to  
 5 exclude California Department of Water Resources (“CDWR”) purchases and commodity  
 6 revenues assigned to the NGBA.<sup>1</sup>

7 The purpose of the TCBA is to accrue all CTC revenues and recover all CTC-eligible  
 8 generation-related costs. Pursuant to D.02-12-074 and D.02-11-022, payments to Portland  
 9 General Electric and Qualifying Facilities (“QFs”)<sup>2</sup> that are above the market benchmark proxy  
 10 are charged to the TCBA. Eligible CTC expenses<sup>3</sup> reflect the difference between the market  
 11 proxy and the contract price of costs associated with the Portland General Electric and certain  
 12 QF contracts.

13 **III. 2011 ERRA AND CTC REVENUE REQUIREMENT FORECASTS**

14 As shown in Table 1 below, SDG&E’s 2011 ERRA revenue requirement forecast is  
 15 \$787.155 million (including franchise fees and uncollectibles).

16 **TABLE 1 - ERRA REVENUE REQUIREMENT**  
 17 **(Thousands of Dollars)**

No.	Component	2011 Forecast		2010 Forecast <sup>4</sup>	
1.	Load ISO Charges		██████		██████
2.	Supply ISO Revenues	██████		██████	
3.	Contract Costs (non-CTC)	██████		██████	
4.	Contract Costs (CTC up to market)	██████		██████	

<sup>1</sup> In compliance with D.03-12-063, the NGBA became effective January 1, 2004.

<sup>2</sup> Excluding Kelco, which is a QF contract that is no longer CTC eligible.

<sup>3</sup> Expenses eligible for CTC recovery are defined by Assembly Bill (“AB”) 1890.

<sup>4</sup> The 2010 forecast was approved in A.09-10-003/D.10-04-010.

<sup>5</sup> For 2010, the Contract Costs (non-CTC) portion of the ERRA revenue requirement forecast included Equity Re-balancing costs that are accounted for separately in 2011. The total Contract Costs (non-CTC) revenue requirement approved for 2010 was ██████████.

No.	Component	2011 Forecast		2010 Forecast <sup>4</sup>	
5.	Generation Fuel				
6.	Net Supply ISO Revenues				
7.	Equity Re-balancing Costs				
8.	FERC Fees and CAISO GMC				
9.	Hedging Costs				
10.	<b>Subtotal</b>		777,969		818,294
11.	FF&U		9,186		9,662
12.	<b>TOTAL</b>		787,155		827,956

1 The line items contained in Table 1, above, as well as the reasons for the \$40.801 million  
2 decrease in the 2011 ERRA revenue requirement forecast compared to the 2010 ERRA revenue  
3 requirement forecast approved by the Commission, are addressed in detail in the testimony of  
4 SDG&E witness Mr. Tony Choi.

5 As shown in Table 2, below, SDG&E's 2011 CTC revenue requirement forecast is  
6 \$31.612 million (including franchise fees and uncollectibles).

7 **TABLE 2 - CTC REVENUE REQUIREMENT**  
8 **(Thousands of Dollars)**

No.	Component	2011 Forecast	2010 Forecast <sup>7</sup>
1.	Portland General Electric and QF Contracts	31,243	46,361
2.	FF&U <sup>8</sup>	369	547
3.	<b>TOTAL</b>	<b>31,612</b>	<b>46,908</b>

9  
10 SDG&E's 2011 ERRA revenue requirement forecast includes the fuel costs for its  
11 electric generation facilities, including the San Onofre Nuclear Generating Station ("SONGS"),  
12 Miramar Energy Facility ("Miramar"), Miramar Energy Facility II ("Miramar II"), Palomar

<sup>6</sup> For 2010, the Equity Re-balancing Costs of [REDACTED] were included in the Contract Costs (non-CTC) portion of the ERRA revenue requirement forecast. For 2011, Equity Re-balancing Costs are accounted for separately.

<sup>7</sup> The 2010 forecast was approved in A.09-10-003/D.10-04-010.

<sup>8</sup> Reflects the combined franchise fee (1.0%) and uncollectible (0.141%) factor approved in A.06-12-009/D.08-07-046 (SDG&E 2008 GRC) such that  $1/(1-.01-.00141) = 1.012$  gross-up factor.

1 Energy Center (“Palomar”) and El Dorado Energy<sup>9</sup> (“El Dorado”). The actual fuel costs of  
2 SONGS, Miramar, Miramar II, Palomar and El Dorado are recorded in the ERRA for recovery  
3 through commodity rates (Schedule EECC). SDG&E’s non-fuel costs for SONGS, Miramar,  
4 Miramar II, Palomar and El Dorado facilities are recorded in the NGBA and recovered through a  
5 separate component of SDG&E’s commodity rates.

6 For CTC eligible purchase power contracts, the power purchased is recorded to the  
7 ERRA at the market proxy of \$58.54/MWh. The difference between the actual contract price  
8 and the market proxy is included in the 2011 CTC forecast and recorded to the TCBA. Mr. Choi  
9 discusses in more detail the market proxy of \$58.54/MWh.

10 SDG&E requests Commission approval of the 2011 ERRA revenue requirement forecast  
11 of \$787.155 million and 2011 CTC revenue requirement forecast of \$31.612 million.

#### 12 **IV. ERRA TRIGGER MECHANISM PROPOSAL**

##### 13 **A. ERRA Trigger Mechanism Background**

14 In accordance with AB 57, SDG&E’s ERRA is subject to a trigger mechanism that  
15 requires the filing of a rate change application when SDG&E’s monthly forecast indicates that  
16 the ERRA will face an undercollection or overcollection in excess of 5% of the prior year’s  
17 recorded electric revenues, excluding CDWR revenue. D.02-10-062 requires that in any month  
18 when the balance in the ERRA reaches 4% of the prior year’s recorded electric revenues,  
19 excluding CDWR revenue, SDG&E file an application that will ensure timely recovery of the  
20 projected ERRA over or undercollected balance. Furthermore, D.07-05-008 modified the trigger  
21 mechanism and established a new process which authorizes SDG&E to notify the Commission  
22 through an advice letter filing, instead of an application, when the ERRA balance exceeds its 4%

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<sup>9</sup> El Dorado Energy’s scheduled in-service date is October 2011.

1 trigger point and SDG&E does not seek a change in rates, if the ERRA balance will self-correct  
2 below the trigger point within 120 days.

3 On April 30, 2010, SDG&E submitted an ERRA Trigger application (A.10-04-033) in  
4 accordance with D.02-10-062. The application proposed offsetting the overcollection in the  
5 ERRA by the undercollected balance in the NGBA and amortizing the remaining ERRA  
6 overcollected balance in rates over a 12-month period beginning September 2010. SDG&E's  
7 proposal was an effort to maintain rate stability and to lessen the impact that the amortization  
8 would have on ratepayers.

9 On August 12, 2010, the Commission issued D.10-08-020, on SDG&E's A.10-04-033,  
10 authorizing SDG&E to return an ERRA overcollection to ratepayers based on final numbers  
11 through July 31, 2010<sup>10</sup> as a one-time bill credit, beginning on September 1, 2010. The  
12 Commission determined that "SDG&E's proposal to use the undercollection NGBA to offset the  
13 impact of the ERRA overcollection is not reasonable under the facts of this application." In  
14 addition, the Commission was not persuaded that they should consider the proposed NGBA  
15 offset since "consideration would expand the scope of the trigger application's purpose." In  
16 other words, the Commission was not convinced that the A.10-04-033 trigger proceeding was the  
17 appropriate proceeding in which to rule on SDG&E's NGBA-offsetting request. Since the  
18 Commission did not rule on the merits of SDG&E's NGBA-offsetting proposal, and because  
19 SDG&E continues to believe that it is reasonable and supportive of rate stability, the proposal is  
20 being re-addressed in this Application.

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<sup>10</sup> On August 24, 2010, SDG&E filed AL 2192-E in compliance with D.10-08-020 to notify the Commission that the recorded July 31, 2010 overcollected ERRA balance was \$115 million.

**B. ERRA Trigger Calculation Proposal**

Specifically, SDG&E is proposing to modify the ERRA trigger mechanism to allow offsetting of (1) an ERRA undercollected balance with a NGBA overcollected balance and (2) an ERRA overcollected balance with a NGBA undercollected balance, when performing the monthly ERRA trigger calculation. Currently, SDG&E calculates the trigger percentage by taking the month-end ERRA balance and dividing it by the prior year’s annual recorded electric revenues, excluding CDWR revenue. SDG&E is proposing to offset the ERRA balance with the NGBA balance prior to dividing it by the prior year’s annual recorded electric revenues, excluding CDWR revenue. Applying the NGBA balance to the ERRA balance, when calculating the trigger, would only occur if the account balances are offsetting and resulted in reducing the ERRA under/overcollection. An NGBA-offset, when calculating the trigger, would not occur if the balances in NGBA and ERRA are both overcollected or both undercollected since these scenarios would increase the ERRA under/overcollection and cause the ERRA to trigger more quickly. Table 3 below is an illustrative example of how SDG&E’s offsetting proposal would work.

**TABLE 3 – PROPOSED ERRA TRIGGER CALCULATION**

<b>Line #</b>	<b>Line Item</b>	<b>Current ERRA Trigger Calculation</b>	<b>Proposed ERRA Trigger Calculation</b>
1	ERRA Balance (undercollected)	\$21,284,572	\$21,284,572
2	NGBA Balance (overcollected)		\$(9,258,097)
		-----	-----
3	Balance Used in Calculating ERRA Trigger Percentage (Line 1 plus Line 2)	<u>\$21,284,572</u>	<u>\$12,026,475</u>
4	Electric Revenues (excluding CDWR Revenues)	\$437,981,208	\$437,981,208
5	ERRA Trigger Percentage (Line 3 divided by Line 4)	4.86%	2.75%



1 As shown by this example, offsetting an ERRA undercollection with a NGBA  
2 overcollection when calculating the trigger reduces the ERRA undercollection and avoids an  
3 ERRA trigger-related filing while promoting rate stability.

4 Within a 9-month period, SDG&E filed ERRA trigger applications A.09-08-002 (August  
5 4, 2009) and A.10-04-033 (April 30, 2010) in compliance with D.02-10-062. Both trigger  
6 applications were filed primarily because expenses were lower than authorized due to declining  
7 fuel costs which caused an ERRA overcollection. SDG&E's ERRA trigger proposal could  
8 potentially minimize unnecessary future ERRA trigger-related filings. This would promote rate  
9 stability for customers. Further, even when a filing is triggered using the proposed ERRA trigger  
10 mechanism, the revised calculation could lower the potential rate impact to customer rates.

### 11 **C. NGBA Background**

12 SDG&E's ERRA and NGBA are both components of SDG&E's electric commodity rate  
13 that is applied to its bundled service customers. The purpose of the NGBA<sup>11</sup> is to provide  
14 recovery of approved non-fuel electric generation costs not being recovered by another  
15 component of SDG&E's rates. As previously mentioned in the Background section of my  
16 testimony, the ERRA records revenues from SDG&E's EECC rate schedule adjusted to exclude  
17 the commodity revenues assigned to the NGBA using the calculated NGBA rate. Since the  
18 revenues for the NGBA and ERRA are both percentages of the total commodity revenues, the  
19 two accounts are closely related. As revenues increase in the NGBA balancing account the  
20 revenues decrease in the ERRA balancing account. Furthermore, the NGBA also records

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<sup>11</sup> SDG&E is authorized to transfer the year-end balance in the San Onofre Nuclear Generating Station O&M Balancing Account ("SONGSBA") to the NGBA. SONGSBA records the difference between SDG&E's share of costs allocated from Southern California Edison and the authorized revenue requirement.

1 authorized revenue requirements for non-fuel electric generation assets. Therefore, the amounts  
2 recorded to the NGBA do not reflect actual costs but rather reflect the comparison of authorized  
3 revenue requirements for non-fuel electric generation assets against recorded revenues. The  
4 NGBA is very similar to SDG&E's Electric Distribution Fixed Cost Account ("EDFCA") which  
5 compares the authorized distribution revenue requirement against billed distribution revenues  
6 and is updated via advice letter in the annual electric regulatory update filing.

7 Annually, in November, SDG&E files an advice letter requesting Commission approval  
8 of its consolidated generation non-fuel revenue requirements that have received prior  
9 Commission authorization. Upon review and approval by the Energy Division, SDG&E includes  
10 the updated revenue requirement in its annual consolidated electric rate change filing for rates  
11 effective January 1 of the following year. Offsetting an ERRA under/overcollection with an  
12 NGBA over/undercollection promotes rate stability by potentially minimizing the size and the  
13 number of rate changes customers will endure over the next year, and potentially minimizing the  
14 number of ERRA trigger-related filings.

## 15 **V. SUMMARY**

16 In my testimony, SDG&E requests the Commission to:

- 17 ■ approve the 2011 ERRA revenue requirement forecast of \$787.155 million;
- 18 ■ approve the 2011 CTC revenue requirement forecast of \$31.612 million; and
- 19 ■ approve SDG&E's proposal to modify the ERRA trigger mechanism to allow  
20 offsetting an ERRA under/overcollection with a NGBA over/undercollection for  
21 purposes of calculating the ERRA trigger in order to promote rate stability and  
22 reduce the number of ERRA trigger-related filings.

23 This concludes my direct testimony.

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1 **VI. QUALIFICATIONS**

2 My name is Yvonne M. Le Mieux. I am employed by San Diego Gas & Electric  
3 Company (“SDG&E”) as a Senior Regulatory Accounts Advisor, in the Regulatory Accounts  
4 Department. My business address is 8330 Century Park Court, San Diego, California 92123.  
5 My current responsibilities include the development, implementation and analysis of regulatory  
6 balancing and memorandum accounts. I assumed my current position in January 2009.

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

11 I have been employed with SDG&E and Sempra Energy since 2003. In addition to my  
12 current position in Regulatory and Finance, I held a Senior Auditor position in the Audit Services  
13 department under the Financial and Operational discipline (July 2004 – January 2009) and a  
14 Staff Accountant position in the Sempra Energy Global Accounting department (June 2003 –  
15 July 2004) at Sempra Energy’s corporate offices.

16 I have previously testified before this Commission.

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

**DECLARATION  
OF YVONNE M. LE MIEUX**

**A.10-10-XXX**

Application of San Diego Gas & Electric Company (U 902 E)  
For Adoption of its 2011 Energy Resource Recovery Account (ERRA) Forecast Revenue  
Requirement and Review of its Power Procurement Balancing Account

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

1. I am a Senior Regulatory Accounts Advisor for San Diego Gas and Electric Company (“SDG&E”). I included my Prepared Direct Testimony (“Testimony”) in support of SDG&E’s October 1, 2010 Application for Adoption of its 2011 Energy Resources Recovery Account (ERRA) Forecast Revenue Requirement and Review of its Power Procurement Balancing Account. Additionally, as a Senior Regulatory Accounts Advisor, I am thoroughly 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.

2. I am providing this Declaration to demonstrate that the confidential information (“Protected Information”) in my Testimony falls within the scope of data provided confidential treatment in the IOU Matrix (“Matrix”) attached to the Commission’s Decision (“D.”) 06-06-066 (the Phase I Confidentiality decision). Pursuant to the procedure set forth in D.08-04-023 for testimony in a formal proceeding, I am addressing each of the following five features of Ordering Paragraph 2 of D.06-06-066:

- that the material constitutes a particular type of data listed in the Matrix;
- the category or categories in the Matrix the data correspond to;
- that SDG&E is complying with the limitations on confidentiality specified in the Matrix for that type of data;
- that the information is not already public; and

- that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.

3. The Protected Information contained in my testimony constitutes material, market sensitive, electric procurement-related information that is within the scope of Section 454.5(g) of the Public Utilities Code.<sup>1</sup> As such, the Protected Information is allowed confidential treatment in accordance with the Matrix, as follows:

Table 1 “ERRA Revenue Requirement” at YML-2 of my Testimony includes redacted items listed in columns labeled “2011 Forecast” and “2010 Forecast.” As set forth more specifically below, these items are considered confidential under the Matrix:

- The redacted amounts for “Load ISO Charges” are protected under Matrix category II.A.2 and confidential for three years and Matrix category V.C and confidential for the “front three years.”
- The redacted amounts for “Supply ISO Revenues” are protected under Matrix categories II.A.2, II.B.1, II.B.3 and II.B.4 and confidential for three years.
- “Contract Costs (non-CTC)” and “Equity Re-balancing Costs” are protected under Matrix category II.B.4 and confidential for three years.
- “Contract Costs (CTC up to market)” are protected under Matrix category II.B.3 and confidential for three years.
- “Generation Fuel” information is protected under Matrix category II.B.1 and confidential for three years.
- The redacted “Other ISO Related Costs (GMC, UFE)” are protected under Matrix category II.A.2 and confidential for three years.
- Lastly, the “Hedging Costs” are protected under Matrix category I.A.4 and confidential for three years.

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<sup>1</sup> In addition to the details addressed herein, SDG&E believes that the information being furnished in my Testimony is governed by Public Utilities Code Section 583 and General Order 66-C. Accordingly, SDG&E seeks confidential treatment of this data under those provisions, as applicable.

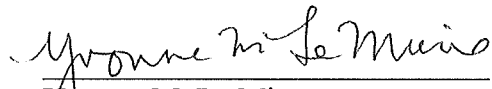
4. I am not aware of any instances where the Protected Information has been disclosed to the public. To my knowledge, no party, including SDG&E, has publicly revealed any of the Protected Information.

5. I will comply with the limitations on confidentiality specified in the Matrix for the type of data that is provided herewith.

6. The Protected Information 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.

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 October, 2010, at San Diego, California.

  
\_\_\_\_\_  
Yvonne M. Le Mieux  
Senior Regulatory Accounts Advisor  
San Diego Gas & Electric Company