Proceeding No.: A.10-10-001
Exhibit No.: SDG&E - 2
Witness: Yvonne M. Le Mieux

AMENDED 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
January 14, 2011

SDGE

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TABLE OF CONTENTS

AMENDED DIRECT TESTIMONY OF
YVONNE M. LE MIEUX
ON BEHALF OF SDG&E

I. INTRODUCTION

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

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

II. BACKGROUND

Pursuant to Decisions ("D.")02-10-062 and D.02-12-074, the purpose of the ERRA is to provide full recovery of SDG&E's energy procurement costs associated with serving SDG&E's bundled service customers. Energy procurement costs include expenses associated with Independent System Operator ("ISO") energy and ancillary services load charges, ISO revenues from utility generation and supply contracts, contract costs, generation fuel costs, ISO-related costs, hedging costs and previously approved equity re-balancing costs related to the FIN 46(R) consolidation of the Otay Mesa Energy Center ("OMEC"). The ERRA records revenues from SDG&E's Electric Energy Commodity Cost ("EECC") rate schedule adjusted to exclude

California Department of Water Resources ("CDWR") purchases and commodity revenues assigned to the NGBA.[1]

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

III. 2011 ERRA AND CTC REVENUE REQUIREMENT FORECASTS

As shown in Table 1 below, SDG&E's 2011 ERRA revenue requirement forecast is $755.413 million (including franchise fees and uncollectibles).

TABLE 1 - ERRA REVENUE REQUIREMENT
(Thousands of Dollars)

No.	Component	2011 Forecast		2010 Forecast[3]	
1.	Load ISO Charges		[redacted]		[redacted]
2.	Supply ISO Revenues	[redacted]		[redacted]	
3.	Contract Costs (non-CTC)	[redacted]		[redacted][4]	
4.	Contract Costs (CTC up to market)	[redacted]		[redacted]	
5.	Generation Fuel	[redacted]		[redacted]	
6.	Net Supply ISO Revenues		[redacted]		[redacted]
7.	Equity Re-balancing Costs		[redacted]		[redacted][5]
8.	FERC Fees and CAISO GMC		[redacted]		[redacted]

[1] In compliance with D.03-12-063, the NGBA became effective January 1, 2004.
[2] Expenses eligible for CTC recovery are defined by Assembly Bill ("AB") 1890.
[3] The 2010 forecast was approved in A.09-10-003/D.10-04-010.
[4] 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 $447.226 million.
[5] For 2010, the Equity Re-balancing Costs of $14.767 million 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.

No.	Component	2011 Forecast		2010 Forecast[3]	
9.	Hedging Costs		[redacted]		[redacted]
10.	**Subtotal**		746,597		818,294
11.	FF&U		8,816		9,662
12.	**TOTAL**		755,413		827,956

The line items contained in Table 1, above, as well as the reasons for the $72.543 million decrease in the 2011 ERRA revenue requirement forecast compared to the 2010 ERRA revenue requirement forecast approved by the Commission, are addressed in detail in the testimony of SDG&E witness Mr. Tony Choi.

As shown in Table 2, below, SDG&E's 2011 CTC revenue requirement forecast is $63.354 million (including franchise fees and uncollectibles).

TABLE 2 - CTC REVENUE REQUIREMENT
(Thousands of Dollars)

No.	Component	2011 Forecast	2010 Forecast[6]
1.	Portland General Electric and QF Contracts	62,615	46,361
2.	FF&U[7]	739	547
3.	**TOTAL**	**63,354**	**46,908**

SDG&E's 2011 ERRA revenue requirement forecast includes the fuel costs for its electric generation facilities, including the San Onofre Nuclear Generating Station ("SONGS"), Miramar Energy Facility ("Miramar"), Miramar Energy Facility II ("Miramar II"), Palomar Energy Center ("Palomar") and El Dorado Energy[8] ("El Dorado"). The actual fuel costs of SONGS, Miramar, Miramar II, Palomar and El Dorado are recorded in the ERRA for recovery

[6] The 2010 forecast was approved in A.09-10-003/D.10-04-010.
[7] 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.
[8] El Dorado Energy's scheduled in-service date is October 2011.

through commodity rates (Schedule EECC). SDG&E's non-fuel costs for SONGS, Miramar, Miramar II, Palomar and El Dorado facilities are recorded in the NGBA and recovered through a separate component of SDG&E's commodity rates.

For CTC eligible purchase power contracts, the power purchased is recorded to the ERRA at the market proxy of $42.50/MWh. The difference between the actual contract price and the market proxy is included in the 2011 CTC forecast and recorded to the TCBA. Mr. Choi discusses in more detail the market proxy of $42.50/MWh.

SDG&E requests Commission approval of the 2011 ERRA revenue requirement forecast of $755.413 million and 2011 CTC revenue requirement forecast of $63.354 million.

IV. ERRA TRIGGER MECHANISM PROPOSAL

A. ERRA Trigger Mechanism Background

In accordance with AB 57, SDG&E's ERRA is subject to a trigger mechanism that requires the filing of a rate change application when SDG&E's monthly forecast indicates that the ERRA will face an undercollection or overcollection in excess of 5% of the prior year's recorded electric revenues, excluding CDWR revenue. D.02-10-062 requires that in any month when the balance in the ERRA reaches 4% of the prior year's recorded electric revenues, excluding CDWR revenue, SDG&E file an application that will ensure timely recovery of the projected ERRA over or undercollected balance. Furthermore, D.07-02-018 modified the trigger mechanism and established a new process which authorizes SDG&E to notify the Commission through an advice letter filing, instead of an application, when the ERRA balance exceeds its 4% trigger point and SDG&E does not seek a change in rates, if the ERRA balance will self-correct below the trigger point within 120 days.

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

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

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

[9] 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.

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

Line #	Line Item	Current ERRA Trigger Calculation	Proposed ERRA Trigger Calculation
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)	$21,284,572	$12,026,475
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%

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

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

C. NGBA Background

SDG&E's ERRA and NGBA are both components of SDG&E's electric commodity rate that is applied to its bundled service customers. The purpose of the NGBA[10] is to provide recovery of approved non-fuel electric generation costs not being recovered by another component of SDG&E's rates. As previously mentioned in the Background section of my testimony, the ERRA records revenues from SDG&E's EECC rate schedule adjusted to exclude the commodity revenues assigned to the NGBA using the calculated NGBA rate. Since the revenues for the NGBA and ERRA are both percentages of the total commodity revenues, the two accounts are closely related. As revenues increase in the NGBA balancing account the revenues decrease in the ERRA balancing account. Furthermore, the NGBA also records authorized revenue requirements for non-fuel electric generation assets. Therefore, the amounts recorded to the NGBA do not reflect actual costs but rather reflect the comparison of authorized revenue requirements for non-fuel electric generation assets against recorded revenues. The NGBA is very similar to SDG&E's Electric Distribution Fixed Cost Account ("EDFCA") which

[10] 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.

compares the authorized distribution revenue requirement against billed distribution revenues and is updated via advice letter in the annual electric regulatory update filing.

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

V. SUMMARY

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

- approve the 2011 ERRA revenue requirement forecast of $755.413 million;
- approve the 2011 CTC revenue requirement forecast of $63.354 million; and
- approve SDG&E's proposal to modify the ERRA trigger mechanism to allow offsetting an ERRA under/overcollection with a NGBA over/undercollection for purposes of calculating the ERRA trigger in order to promote rate stability and reduce the number of ERRA trigger-related filings.

This concludes my amended direct testimony.

VI. QUALIFICATIONS

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

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 Regulatory and Finance, I held a Senior Auditor position in the Audit Services department under the Financial and Operational discipline (July 2004 – January 2009) and a Staff Accountant position in the Sempra Energy Global Accounting department (June 2003 – July 2004) at Sempra Energy's corporate offices.

I have previously testified before this Commission.

BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION
OF YVONNE M. LE MIEUX

A.10-10-001
Amended 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 January 14, 2011 Amended 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.[1] 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.

[1] 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 14th day of January, 2011, at San Diego, California.

Yvonne M. Le Mieux

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