

Application No.: A.10-10-001
Exhibit No.: SDG&e - 3
Witness: Cynthia S. Fang

**AMENDED DIRECT TESTIMONY
OF
CYNTHIA S. FANG
SAN DIEGO GAS & ELECTRIC COMPANY**

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

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
January 14, 2011**



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1 **AMENDED DIRECT TESTIMONY OF**
2 **CYNTHIA S. FANG**
3 **ON BEHALF OF SDG&E**
4

5 **I. INTRODUCTION & BACKGROUND**

6 The purposes of this testimony are to present (1) 2011 market benchmark prices for
7 calculating the Competitive Transition Charge (“CTC”) and for calculating the Power
8 Charge Indifference Adjustment (“PCIA”) and (2) the resulting 2011 PCIA consistent
9 with Decision (D.) 08-09-012. In D.08-09-012, the California Public Utilities Commission
10 (“Commission” or “CPUC”) authorized implementation of new generation non-bypassable
11 charges (“NBCs”), previously established by D.04-12-048 and D.06-07-029. SDG&E’s
12 2010 ERRA Forecast Application (A.09-10-003) included testimony presenting the
13 development of the 2009 and 2010 Vintages of the PCIA for 2010¹ for the determination of
14 the Cost Responsibility Surcharge (“CRS”), which applies to non-exempt Direct Access
15 (“DA”) customers, Community Choice Aggregation (“CCA”), and other departing load
16 customers (e.g., Customer Generator Departing Load [“CGDL”] and Municipal Departing
17 Load [“MGDL”]). D.10-04-010 approved SDG&E’s 2010 ERRA Forecast Application.
18 This testimony presents the 2011 updates to the 2009 and 2010 Vintages as well as the
19 addition of the 2011 Vintage of the PCIA for 2011.

20 **A. Applicability of Non Bypassable Charges to Departing Load**

21 In D.06-07-030, as modified in D.07-01-030, the Commission adopted the Total
22 Portfolio methodology and market benchmark for determining the above market costs

¹ A.09-10-003, SDG&E’s ERRA Forecast for 2010.

1 associated with the utility/DWR total portfolio, and replaced the DWR Power Charge
2 Component with the PCIA. In D. 07-01-025, the Commission adopted the same Total
3 Portfolio methodology, market benchmark, and PCIA calculation for CCA.² Although the
4 ERRA forecast filing directly addresses only SDG&E's fuel and purchased power costs,
5 the Commission ordered that the calculation of PCIA and associated revenues must take
6 place in the ERRA forecast proceeding. Thus, estimates of 2011 DWR costs and
7 SDG&E's 2011 Non-Fuel Generation Balancing Account ("NGBA") are utilized to
8 calculate SDG&E's 2011 PCIA.

9 In D.08-09-012, the Commission ruled that MDL, other than large
10 municipalization, and CGDL shall be exempt from NBCs related to new world generation
11 resources that were not procured on their behalf. Thus, to the extent that there are MDL
12 and CGDL customers, these customers are responsible only for the above-market costs
13 associated with resources procured before January 1, 2003, as well as the above-market
14 costs associated with the DWR supply (to the extent that they are not otherwise exempt
15 from the DWR supply). SDG&E has no MDL in its service area and is unaware of the
16 formation of any MDL in its service area. Regarding CGDL in SDG&E's service area,
17 there are currently no CGDL customers that are subject to the PCIA. Pursuant to the
18 Commission's ruling in D.08-09-012, all future CGDL is exempt from the PCIA as well.
19 The Commission also determined in D. 08-09-012 that former DA load that is eligible to
20 return to DA and does so, is subject to the same CRS treatment as large MDL and CCA.³

² SDG&E currently has DA Non Exempt load on its system but no (zero) CCA load.

³ D.08-09-012 Appendix E Cost Responsibility Surcharge Calculations.

1 **B. Total Portfolio Methodology for Determining Above Market Costs**

2 The purpose of the Total Portfolio methodology is to reasonably ensure that
3 bundled customers are indifferent with respect to departing load. Rather than focus on each
4 individual resource cost, the Total Portfolio method recognizes that bundled customers are
5 served from the entire portfolio of commodity resources and that when load departs the
6 utility may, in general, offset a portion of the costs of departing load through additional
7 market sales.

8 The use of the Total Portfolio method treats bundled and departing load customers
9 in a similar manner by allowing both to benefit from below-market resources and to pay
10 their respective share of above-market costs. If the Total Portfolio cost, in \$/MWH, is
11 greater than the market benchmark then the difference between the two (referred to as a
12 positive indifference rate) is used to calculate above-market costs. Given that DA, CCA,
13 and other departing load customers pay for certain above-market costs recovered in the
14 CTC component, the CTC rate is subtracted from the indifference rate to determine the
15 PCIA.

16 In order to maintain bundled customer indifference, the subtraction of the CTC
17 necessitates that the CTC revenue requirement be calculated using the same market
18 benchmark that is used to calculate the indifference rate. In instances where the PCIA is
19 positive, then SDG&E determines the remittance to DWR and the allocation of the DWR
20 revenue requirement is reduced by this amount. If the indifference rate is less than or equal
21 to zero, then the PCIA is set to zero for billing purposes, and as determined by the
22 Commission in D.07-05-005, negative amounts are tracked for the purpose of applying
23 against any future positive amounts.

1 **C. Vintaging The Total Portfolio**

2 The bundled customer indifference standard requires that departing load pay for
3 their share of above-market costs associated with the Total Portfolio that was committed to
4 serve them prior to their departure. Also, departing load is not required to pay for above-
5 market costs associated with utility procurement commitments after that load departs. In
6 order to address this issue of matching departing load with the utility procurement process,
7 the Commission has approved vintaging for CCA departing load.

8 Vintaging is simply calculating the Total Portfolio for a given year and then
9 determining which year’s vintage of Total Portfolio costs is applicable to the departing
10 load. If the departure of load for CCA (adhering to the rules for departure that are set forth
11 in SDG&E’s tariff schedules applicable to CCA) takes place prior to July 1 in a given year,
12 then the departing load is assigned the vintage of Total Portfolio resources from the prior
13 calendar year. If it takes place on or after July 1, then the departing load is assigned the
14 vintage of Total Portfolio resources in that same calendar year. To date, SDG&E has not
15 received a binding notice of intent to depart from any CCA and is unaware of any CCA
16 load in its service area.

17 In D.08-09-012, the Commission adopted the same vintaging process, in terms of
18 the calendar year split, for large MDL and CCA. For current non-exempt DA customers,
19 the vintage of resources excludes those added by SDG&E after 2001 when DA was
20 suspended. Former DA load that is eligible to return to DA with the limited re-opening of
21 DA under SB 695 is subject to the PCIA calculations applicable to large MDL and CCA.

22 **D. Resolution E-4226**

23 On October 29, 2009, Resolution E-4226 was issued ordering the following:

1 5. In their next scheduled CRS updates for 2010 rates, SCE and SDG&E shall
2 calculate the PCIA to vary by customer class in the same proportion as the
3 ongoing CTC.
4

5 SDG&E's 2009 and 2010 Vintage PCIA implemented through AL 2166 incorporated the
6 differentiation by customer class due to class differentiation of the ongoing CTC rate.

7 **II. 2011 ESTIMATED MARKET BENCHMARK**

8 The Commission has required that SDG&E and other Investor Owned Utilities use
9 the market price benchmark provided by the Commission's Energy Division in their
10 calculation of the CTC and PCIA. In prior years, SDG&E has received the market price
11 benchmark in early November. However, this year SDG&E has yet to receive the market
12 price benchmark from the Energy Division. Accordingly, consistent with what Pacific Gas
13 and Electric Company and Southern California Edison Company have done in their 2011
14 ERRA forecast proceedings, SDG&E is estimating the market price benchmark value for
15 2011 based on the same methodology adopted by the CPUC and presented in Appendix 1
16 of D.06-07-030.⁴ Specifically, the benchmark methodology adopted in D.06-07-030 and
17 modified in D.07-01-030 is based on publicly available data for electricity prices from an
18 industry-wide trade publication. This methodology uses the weighted average of peak and
19 off-peak energy prices for the daily forward strip, as published in Platts MW Daily for
20 SP15, for the period October 1 – October 31, in a given year. The average forward energy
21 price is adjusted to include a capacity adder and to account for line losses.

22 Based on this methodology, SDG&E is proposing a market price benchmark of
23 \$42.50/MWH for calculating the CTC and a market price benchmark of \$44.33/MWH for

⁴ See Pacific Gas and Electric Prepared Testimony, served November 5, 2010 in A.10-05-022 p. 4-5 and Southern California Edison Prepared Testimony, served November 10, 2010 in A.10-08-001 p11.

1 calculating the PCIA (see Attachment B). The difference between \$42.50/MWH and
2 \$44.33/MWH is due to the adjustment for distribution line losses (i.e., since the CTC is
3 calculated at the ISO level there is no adjustment for distribution lines losses, but both
4 benchmarks are based on the exact same forward prices).

5 **III. INDIFFERENCE RATE AND PCIA**

6 The PCIA is calculated by subtracting the CTC from the Indifference Rate. If the
7 PCIA is negative, then for billing purposes it is set to zero, but SDG&E must track
8 negative amounts and credit them against any future positive amounts. In its ERRA
9 filing for 2010, SDG&E calculated positive PCIA's for both DA and CCA. There is no
10 CCA load or MDL on SDG&E's system so there is no tracking of negative amounts or
11 billing for positive amounts for CCA or MDL. On May 2010, consistent with D.10-04-
12 010, SDG&E implemented its 2009 and 2010 Vintages of the 2010 PCIA, with the 2009
13 Vintage of the PCIA being applicable to customers departing load in the first half of 2010
14 and the 2010 Vintage of the PCIA being applicable to customers departing load in the
15 second half of 2010. For customers departing load in 2011, the 2010 Vintage of the
16 PCIA will also be applicable to customers departing load in the first half of 2011, with
17 the 2011 Vintage of the PCIA being applicable to customers departing load in the second
18 half of 2011. Attachment A presents the PCIA calculations for DA, CCA, and other
19 departing load updated for the estimated 2011 market benchmark, 2011 DWR revenue
20 requirements⁵ and 2011 projected departing load. These calculations will reflect updates
21 to 2009 and 2010 Vintage PCIA for 2011 and the addition of 2011 Vintage.

22 This concludes my amended direct testimony.
23

⁵ D.10-12-006.

1 **IV. QUALIFICATIONS OF CYNTHIA S. FANG**

2 My name is Cynthia S. Fang and my business address is 8330 Century Park
3 Court, San Diego, California 92123. I am currently employed by SDG&E as a Principal
4 Regulatory Economic Advisor. I began work at SDG&E in May 2006 in my current
5 position and my responsibilities include electric rate design, rates and revenues forecasts,
6 and other ad hoc analysis. Prior to joining SDG&E, I was employed by the Minnesota
7 Department of Commerce, Energy Division, as a Public Utilities Rates Analyst from
8 2003 through May 2006.

9 In 1993, I graduated from the University of California at Berkeley with a
10 Bachelor of Science in Political Economics of Natural Resources. I also attended the
11 University of Minnesota where I completed all coursework required for a Ph.D. in
12 Applied Economics.

13 I have previously submitted testimony before the CPUC regarding SDG&E’s
14 electric rate design. I have previously submitted testimony before the Federal Energy
15 Regulatory Commission (“FERC”) regarding SDG&E’s transmission and reliability
16 service rate design. I have previously submitted testimony and testified before the
17 Minnesota Public Utilities Commission on numerous rate and policy issues applicable to
18 the electric and natural gas utilities.

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Attachment A: 2011 PCIA

| Customer Classification | Market Benchmark | 2011 PCIA | | | |
|---------------------------------------|------------------|------------------|--------------------------|--------------------------|--------------------------|
| | | 2011 (\$/MWh) | 2008 Vintage (\$/kWh) | 2009 Vintage (\$/kWh) | 2010 Vintage (\$/kWh) |
| Residential | | | | | |
| DA Existing Non-Continuous | \$44.33 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 |
| Small Commercial | | | | | |
| DA Existing Non-Continuous | \$44.33 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 |
| CCA, Large MDL, DA New Non-Continuous | \$44.33 | \$0.01198 | \$0.01536 | \$0.01782 | \$0.01778 |
| DA New Continuous | \$44.33 | \$0.01100 | \$0.01438 | \$0.01684 | \$0.01680 |
| M/L C&I | | | | | |
| DA Existing Non-Continuous | \$44.33 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 |
| CCA, Large MDL, DA New Non-Continuous | \$44.33 | \$0.01241 | \$0.01579 | \$0.01825 | \$0.01821 |
| DA New Continuous | \$44.33 | \$0.01143 | \$0.01481 | \$0.01727 | \$0.01723 |
| Agricultural | | | | | |
| DA Existing Non-Continuous | \$44.33 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 |
| CCA, Large MDL, DA New Non-Continuous | \$44.33 | \$0.01253 | \$0.01591 | \$0.01837 | \$0.01833 |
| DA New Continuous | \$44.33 | \$0.01155 | \$0.01493 | \$0.01739 | \$0.01735 |
| Streetlighting | | | | | |
| DA Existing Non-Continuous | \$44.33 | \$0.00098 | \$0.00098 | \$0.00098 | \$0.00098 |
| CCA, Large MDL, DA New Non-Continuous | \$44.33 | \$0.01463 | \$0.01801 | \$0.02047 | \$0.02043 |
| DA New Continuous | \$44.33 | \$0.01365 | \$0.01703 | \$0.01949 | \$0.01945 |

Attachment B: 2011 Market Price Benchmark

| | | SP15 SDG&E |
|---------------------------------------|--------------------|---------------------------|
| October 1 through October 31 | Avg On-peak Price | |
| October 1 through October 31 | Avg Off-peak Price | |
| Sundays in 2011 | 52 | |
| Non-Sundays in 2011 | 313 | |
| Off-peak hours M-Sat | 8 | |
| On-peak hours M-Sat | 16 | |
| Hours in 2011 | 8760 | |
| Calculated Baseload Price | | \$35.50 |
| 2011 Capacity Adder | | \$7.00 |
| Sum: Baseload + Capacity Adder | | \$42.50 |
| Adjust for Line Losses | | 1.043 |
| 2011 Market Price Benchmark | | \$44.33 |

Note: day ahead average on-peak and off-peak data is confidential and submitted under the provisions of General Order 66-C and Section 583 of the Public Utilities Code due to non-disclosure agreement with Platts.

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

**DECLARATION
OF CYNTHIA FANG**

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) Revenue Requirement
Forecast and Competitive Transition Charge Revenue Requirement Forecast

I, Cynthia Fang, do declare as follows:

1. I am Electric Rates Manager for San Diego Gas & 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 Resource Recovery Account (ERRA) Revenue Requirement Forecast and Competitive Transition Charge Revenue Requirement Forecast. Additionally, as Electric Rates Manager, 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:

- Page CFS-9 Attachment B: redacted items in chart are protected under Matrix category II.A.1 Utility Electric Price Forecasts and are confidential for three years.

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.

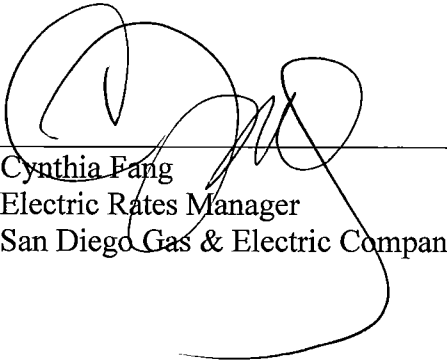
5. I will comply with the limitations on confidentiality specified in the Matrix for the type of data that is provided herewith.

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.

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.

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

Executed this 11th day of April, 2011, at San Diego, California.



Cynthia Fang
Electric Rates Manager
San Diego Gas & Electric Company