

Application No.: A.05-05-  
Exhibit No.: \_\_\_\_\_  
Date: May 2, 2005  
Witness: Susie E. Sides

**2005 ANNUAL EARNINGS ASSESSMENT PROCEEDING  
DIIRECT TESTIMONY  
OF  
SAN DIEGO GAS & ELECTRIC COMPANY**

**May 2005**

**BEFORE THE PUBLIC UTILITIES COMMISSION**

**OF THE STATE OF CALIFORNIA**

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1 VDRP and replaced it with the Demand Bidding Program (DBP) in D. 01-07-025. D. 01-  
2 06-009 authorized SDG&E to implement a Rolling Blackout Reduction Program  
3 (RBRP). Senate Bill 5 (also referred to as SBX1 5) required utilities to implement the  
4 Scheduled Load Reduction Program (SLRP).  
5

6 D.01-04-006 also ordered electric utilities to conduct distribution circuit  
7 reconfiguration studies to identify means by which more customers classified as non-  
8 essential, could be made eligible to participate in rotating outage (RO) programs.  
9

10 In 2002, the Commission issued D. 02-04-060, extending demand response  
11 programs to the conclusion of the rate design phase of each utility's next general rate case  
12 (GRC)<sup>2</sup>. In addition, the Commission specifically extended SDG&E's RBRP to be  
13 consistent with all other interruptible programs<sup>3</sup>. Modifications to the SLRP were  
14 approved and the Commission ordered the cancellation of SDG&E's EAEI (Residential  
15 A/C Cycling) program<sup>4</sup>. D. 02-04-060 also approved customer education and  
16 notification in advance of rotating outages to those vulnerable to extreme temperatures.<sup>5</sup>  
17 And finally, the Commission authorized the utilities to collect from interruptible  
18 customers billed on Schedule A-V1 for more than 12 months, the non-compliance  
19 penalties reflected in the CPUC-approved memorandum account established to track the  
20 demand response programs for the period October 1, 2000 through January 25, 2001<sup>6</sup>.  
21  
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23 On July 17, 2002, the Commission issued D. 02-07-035 that authorized changes to  
24 the DBP. Most notably, DBP was transitioned to a reliability program, triggered by the  
25

26 <sup>2</sup> D. 02-04-060, at p. 18.

27 <sup>3</sup> D. 02-04-060, at p. 11.

28 <sup>4</sup> D. 02-04-060, at p. 56.

<sup>5</sup> D. 02-04-060, at p. 106.

<sup>6</sup> D. 02-04-060, at p. 121.

1 California Independent System Operator (CAISO) on a Day-Ahead or Day-Of basis.  
2 Customer incentives were set at \$0.35/kWh and DBP expenses were to be tracked in the  
3 established memorandum account.  
4

5 R. 02-06-001, the Advanced Metering, Demand Response and Dynamic Pricing  
6 Rulemaking, evaluated demand response programs, which led to D.03-06-032.  
7

8 In June 2003, D.03-06-032 modified the DBP to have both a price and reliability  
9 trigger and created three new demand response programs: Critical Peak Pricing (CPP),  
10 Hourly Pricing Option (HPO), and California Power Authority's Demand Reserves  
11 Partnership (CPA-DRP). Although SDG&E is not requesting recovery of those costs  
12 authorized in D. 03-06-032 in this filing, R.02-06-001 is important because demand  
13 response has evolved to include both reliability and pricing programs.  
14

15 By Commission order D. 01-04-006, SDG&E tracks its costs for all demand  
16 response programs through an approved memorandum account<sup>7</sup>. D. 01-04-006  
17 established an authorized annual level of SDG&E spending of \$25 million (including  
18 base rate and incremental cost amounts) and curtailment priority limits of 250 MW.<sup>8</sup> D.  
19 02-04-060 lowered these limits for SDG&E to \$12.5 million and 125MW<sup>9</sup>.  
20

21 SDG&E established its CPUC approved Interruptible Load and Rotating Outage  
22 Programs Memorandum Account (ILROPMA). The ILROPMA reflects the capital and  
23 operation & maintenance (O&M) costs, customer incentives and penalties; funding  
24 received from other sources (e.g., California Energy Commission, CAISO and California  
25 Department of Water Resources); and interest earned on the memorandum account  
26

27 <sup>7</sup> D. 01-04-006, Ordering Paragraph 16.

28 <sup>8</sup> D. 01-04-006, Ordering Paragraph 17.

1 balance. The balance in the ILROPMA is to be transferred to the Rewards and Penalties  
2 Balancing Account or other balancing account for future recovery with recovery of the  
3 undepreciated portion of the capital costs to be determined in the utility's next GRC  
4 proceeding.

5  
6 D.04-06-011 approved SDG&E's proposal to enter into a demand response  
7 reliability contracts with Comverge and to recover costs from the ILROPMA<sup>10</sup>. This  
8 decision also approved SDG&E to continue contract negotiations with Celerity and to  
9 recover costs along the same mechanism for Comverge<sup>11</sup>.

10  
11 D. 04-12-015 authorized SDG&E to collect through rates and authorized  
12 ratemaking accounting, 2004 Test Year Base Margin (O&M) costs for the programs listed  
13 in Table 1. O&M costs were no longer recorded in the ILROPMA starting in January  
14 2004, except for the costs described below.

15  
16 As a result, SDG&E is not seeking cost recovery for programs operations and  
17 activities related to implementation in this application. However, SDG&E seeks recovery  
18 in the amount of \$23,061 for costs recorded in ILROPMA related to customer incentive  
19 payments and 2003 capital expenditures. In addition, SDG&E continues to track interest  
20 earned on the cumulative memorandum account balance in ILROPMA in 2004, totaling  
21 \$24,338, for which it here seeks recovery.

22  
23 Table 1 provides a summary of ILROPMA costs by program.

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<sup>9</sup> D. 02-04-060, at p. 22.

27 <sup>10</sup> D. 04-06-011, Ordering Paragraph 2.

28 <sup>11</sup> D. 04-06-011, Ordering Paragraph 3.

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**TABLE 1**

Program	Activity	Interest	Net Expenditures
A/C Cycling	\$ -	\$ 1,311	\$ 1,311
BIP	\$ -	\$ 905	\$ 905
DBP	\$ 7,421	\$ 7,054	\$ 14,475
OBMC	\$ -	\$ 928	\$ 928
RBRP	\$ 6,759	\$ 9,796	\$ 16,555
Circuit Reconfiguration	\$ 8,881	\$ 2,416	\$ 11,297
SLRP	\$ -	\$ 940	\$ 940
Temperature Sensitive	\$ -	\$ 885	\$ 885
VDRP	\$ -	\$ 103	\$ 103
Comverge - Direct Load Control	\$ 24	\$ -	\$ 24
Total:	\$ 23,085	\$ 24,338	\$ 47,423
<i>TOTAL AMOUNT TO BE RECOVERED</i>			\$ 47,399

**I.**

**SDG&E**

**DESCRIPTION OF 2004 ACTIVITIES**

**A. DEMAND BIDDING PROGRAM (DBP)**

The DBP was designed to be a voluntary emergency response program, whereby participating customers submitted day-of or day-ahead bids to curtail load when requested by the CAISO, based on a forecast of insufficient operating reserves.

D. 03-06-032 ordered the utilities to transition the DBP to include both a price trigger and reliability trigger to be called by the CAISO or the utility. The utility could initiate DBP to offset outstanding system issues that may affect system reliability or (based on market price,) and the CAISO. The modified DBP continues to be voluntary,

1 but the customer incentive was raised to \$0.50/kWh for load reduction when responding  
2 to a reliability trigger. For a price-triggered event, incentives start at \$0.15/kWh.

3 Activity costs recorded in DBP in 2004 are related to incentive payments made to  
4 customers in response to a DBP event. SDG&E called four (4) DBP events:

- 5 • May 3, 2004
- 6 • June 30, 2004
- 7 • September 7, 2004
- 8 • November 22, 2004

9  
10  
11 **B. ROLLING BLACKOUT REDUCTION PROGRAM**

12 The Rolling Blackout Reduction Program (RBRP) permits SDG&E to call on  
13 customers with backup generators (BUGs) during a CAISO-declared Stage 3 event.

14 Participants shift load from the grid to their BUGs in an effort to maintain system  
15 reliability. Participants receive an incentive payment of \$0.20/kWh of actual energy  
16 reduction below the 10-day baseline.

17 Costs recorded to the ILROPMA in 2004 include \$6,759 for capital-related  
18 expenses (i.e. depreciation, return and taxes) recorded in January 2004. Because SDG&E  
19 records capital-related expenses to regulatory accounts on a one-month lag, these  
20 expenses actually relate to December 2003 activity, a period prior to when the assets were  
21 effectively placed into rate base in SDG&E's most recent Cost of Service. This practice is  
22 consistent with the accounting treatment for capital-related expenses recorded to other  
23 regulatory accounts. Therefore, SDG&E is appropriately requesting recovery of these  
24 costs in this application, as they correspond to the period in which the costs were actually  
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1 recorded to the ILROPMA and have not been previously recovered though another  
2 proceeding.

3  
4 **C. COMVERGE – DIRECT LOAD CONTROL PROGRAM**

5 On June 9, 2004, the Commission issued D.04-06-011, which approved a number  
6 of utility proposals to address short-term and long-term grid reliability needs. A direct  
7 load control program, to be managed by a third-party Comverge, was one of the approved  
8 proposals<sup>12</sup>. The Comverge proposal was in response to SDG&E's May 16, 2003 Request  
9 for Proposals (RFP) for grid reliability resources, to include demand response.

10 SDG&E is authorized to recover costs from the Comverge contract in the  
11 ILROPMA. O&M and A&G charges and any incentive payments paid to participants  
12 will be collected from all distribution customers through the distribution rate changes  
13 effective January 1 of the following year.

14  
15 Comverge activities in 2004 relate to costs associated with establishing a  
16 conference call line in the amount of \$24. As ordered, SDG&E records the costs for  
17 Comverge activities in the ILROPMA, but is not seeking recovery here. Costs are  
18 transferred to SDG&E's Rewards & Penalties Balancing Account (RPBA) for recovery  
19 through distribution rates.  
20

21 **D. CIRCUIT RECONFIGURATION - ROTATING OUTAGE**  
22 **PROGRAM**

23 In D. 01-04-006, the Commission ordered electric utilities to conduct distribution  
24 circuit reconfiguration studies to identify means by which more customers classified as  
25 non-essential might be made available for participation in rotating outage (RO) programs.  
26 The non-essential customers in question are those served from circuits that also serve at  
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1 least one essential use customer. Each RO exemption of the circuit to protect the  
2 essential customer also protects all non-essential customers on that circuit, essentially  
3 removing them from the rotating outage pool. The Distribution Circuit Reconfiguration  
4 Studies seek to identify and recommend reasonable means by which the SDG&E circuits  
5 might be reconfigured or operated differently to create a more equitable situation among  
6 non-essential customers and to increase the number of customers available for the RO  
7 pool.  
8

9 Costs associated with the Circuit Reconfiguration studies include \$8,881 for costs  
10 related to capital-related expenses (i.e. depreciation, return and taxes) recorded in January  
11 2004. As described earlier, SDG&E records capital-related expenses to regulatory  
12 accounts on a one-month lag. As a result, these expenses relate to December 2003  
13 activity, a period prior to when the assets were effectively placed into rate base in  
14 SDG&E's most recent Cost of Service.  
15

## 16 II.

### 17 CPUC AUDITOR'S REPORT

#### 18 2001-2003 EXPENDITURES

19  
20 The California Public Utilities Commission Energy Division conducted an audit  
21 of ILROPMA activities for 2001-2003. A draft report was submitted in April 2005. The  
22 audit recommends SDG&E recover its incremental costs for program activities, less audit  
23 adjustments of \$169,674. To the extent that the Commission approves the audit report, as  
24 drafted or later modified, SDG&E will reflect these changes in the ILROPMA as  
25 necessary.  
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27 <sup>12</sup>D. 04-06-011, Ordering Paragraph 1.  
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**III.**

**CONCLUSION**

In conclusion, SDG&E respectfully requests the Commission to find reasonable and to authorize SDG&E's recovery of the Interruptible Programs and Curtailment

Priorities costs reflected in the ILROPMA and to issue a decision:

- 1) Finding that the 2004 expenditures of \$47,423 are reasonable; and
- 2) Authorizing the recovery of the 2004 expenditures of \$47,399 and the transfer of this amount to the electric RPBA.

1 **QUALIFICATIONS**

2  
3 My name is Susie E. Sides. My business address is 8306 Century Park Court,  
4 Suite 42K, San Diego, California, 92123-1569. I am employed by San Diego Gas &  
5 Electric Company (SDG&E) as the Demand Response Programs Manager in the  
6 Commercial and Industrial Mass Department. In my current position, I am responsible  
7 for the development and management of demand response programs.  
8

9 I graduated from San Diego State University with a Bachelor of Science degree in  
10 Business Management in 1993. I received a Master of Arts degree in Organizational  
11 Management from the University of Phoenix in 1997. Initially, I was hired by SDG&E in  
12 February 1986 and held several positions of increasing responsibility until February 2000.  
13 Between March 2000 and February 2001, I was employed by the San Diego Regional  
14 Energy Office as Assistant Director of Energy Programs. I returned to SDG&E in  
15 February 2001. Since then, I have managed the Demand Response Programs.  
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17 I have previously testified before the Commission.

18 This concludes my testimony.  
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